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## ECONOMIC INTELLIGENCE WEEKLY

29 June 1977

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## Articles

### USSR: ECONOMIC PROSPECTS ARE POOR

The outlook for the Soviet economy over the next five to 10 years is more bleak and the policy decisions more uncertain than at any time since Stalin's death. The USSR is approaching a period of reduced growth with possible bottlenecks in key commodities, especially crude oil, that threaten to create economic disruptions and reduce growth even further. The basic problem is that the formula for growth used over the last 25 years—maximum inputs of labor and capital—will no longer work. Moscow also will be confronted with a new set of difficult policy problems, especially involving energy use, imports from the West, and relations with Eastern Europe. Leadership responses to these problems will be severely complicated by the fact that the stability in the leadership is almost certain to weaken during the coming period, especially with Brezhnev's vigor and stamina recurrently in question.

#### Basic Problems—Labor and Productivity Growth

The decline in birth rates in the 1960s, already reflected in a decline in the number of new entrants into the labor force, will become much more acute in the early to mid-1980s. The reservoir of redundant farm labor has already been siphoned off to develop other sectors. Moreover, additions to the labor force will come mainly from ethnic minorities in central Asia who do not readily move to labor-short northern industrial areas.

Productivity gains of both labor and investments in plant and equipment have been slowing for years and there are new problems likely to depress productivity.

- The growth of investment outlays is slowing down and is programmed to continue at low rates at least to 1980. This will give less opportunity for replacing obsolescent facilities with new plant and equipment.

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- Fuels and other industrial raw materials will become more expensive largely because of the depletion of reserves west of the Urals and the costly effort to develop resources in Siberia and Central Asia.
- The costs of producing technologically sophisticated products are rapidly rising.
- A looming oil shortage may create bottlenecks and will almost certainly force curtailment of critical imports of capital goods from the West.

### The Energy Problem

The Soviets are not finding and developing new oil deposits rapidly enough to offset declines in older fields. As a result, production will begin to fall in the late 1970s or early 1980s. Last year's oil production of 10.4 million barrels per day was close to the estimated maximum potential of 11 million to 12 million b/d. By 1985 oil output is expected to fall to between 8 million and 10 million b/d. In addition to the failure to find new deposits to offset depletion, production techniques now in use—such as excessive water flooding—focus on short-term gains at the expense of maximum lifetime recovery.

To stave off or slow the expected fall in production even temporarily, the Soviets will need high-capacity submersible pumps made only in the United States. Without them, oil production will fall sooner rather than later. Beyond the mid-1980s, the USSR is counting on large new supplies of oil and development of alternative energy sources—coal, natural gas, and hydroelectric power. Most potential major sources lie east of the Urals, far from major industrial and population centers: their development would take years and require massive capital investment. Even if the development of other energy sources is pushed to the maximum, the rate of growth of energy output will fall—a plausible scenario projects a decline from 4 percent in 1976-80 to slightly above 1 percent in 1981-85.

Soviet energy consumption has closely paralleled the growth of the economy. As a result, the sharp slowdown in energy production threatens to impede economic growth drastically unless Moscow saves massive amounts of energy and/or allows a major turnaround from its present net energy export position to a net import position.

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Energy savings are difficult to come by; large sources of oil saving are more difficult to identify in the USSR than in the West because a large share of consumption is for commercial and industrial use. As a result, opportunities for oil conservation that would not hinder production are more limited than in the West. The more the Soviet government delays adoption of a top-priority energy program, the greater the economic impact in the 1980s.

### **Impact of Hard Currency Imports**

The oil problem could have disastrous effects on the USSR's ability to import from the West.

- Last year oil accounted for half of the USSR's hard currency earnings.
- Continuation of present policies could lead to a shift from selling 1.2 million b/d of oil to hard currency countries in 1976 to pressure to buy large amounts—according to a possible scenario, imports would be 2.7 million b/d in 1985—a net shift of about \$15 billion.
- Under these circumstances if Moscow did not cut oil exports to Eastern Europe, it would have no hard currency left to buy any manufactured goods from the West.

Moscow obviously would go to great lengths to avoid such an outcome, but cannot escape some difficult and painful choices. Even with an all-out Soviet effort, average annual growth of non-oil hard currency exports probably could not exceed 10 percent in real terms; and these added earnings, together with those from gold sales and arms, would offset only part of the hard currency loss due to the oil shift. Credits will contribute little to import capacity because of growing debt service. Moscow's opportunities to barter for oil from Middle Eastern countries rather than pay hard currency for it appear to be limited except for arms in some cases. Middle East oil producers have no incentive to buy Soviet goods when they have ample funds to obtain better quality Western goods.

Eastern Europe may be hit hard by Soviet decisions on oil. Eastern Europe now gets 1.3 million b/d of Soviet oil and by 1980 is scheduled to get 1.6 million b/d, a diversion of about \$7 billion in potential Soviet hard currency earnings. Moscow will carefully weigh the trade-offs between continued economic support to Eastern

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Europe and its own exports for hard currency. There will be strong pressure to force Eastern Europe to share the burden of the oil shortage in the 1980s. Any substantial cut in oil supplies to Eastern Europe, however, would worsen its already difficult economic situation and threaten to undermine political stability in those countries.

### **Agriculture—A Continuing Problem**

Agriculture will remain a major economic headache. Soviet farm production still cannot provide the quality diet that the Soviet population desires; demand for meat is rising faster than incomes. Much of the past rise in farm output reflects a massive infusion of investment, but the weather has been responsible for roughly half of the increase in grain production between the early 1960s and 1974. Despite these favorable conditions, imports of farm products have accelerated in recent years.

If the climate in the principal grain areas does return to the harsher—but, we believe, more normal—conditions of the early 1960s, we expect grain imports, and the resulting burden on scarce hard currency supplies, to be substantial.

### **Outlook for Economic Growth**

A marked reduction in the rate of economic growth in the 1980s seems inevitable. A plausible forecast is for a rate of growth of GNP averaging about 4 percent a year through 1980, and roughly 3 percent in 1981-85. This projection is based on (a) expected trends in inputs of labor and capital; (b) continuation of productivity trends of the past decade or so; (c) the mid-point of a likely range of energy output; and (d) energy conservation on a priority basis.

Economic growth could be substantially slower than this. If the output of energy falls to the lower end of the expected range, and there is little conservation growth in GNP could be limited to an average of 2 percent a year by an energy shortage.

The possibility of achieving substantially higher growth seems small. Moscow's policy options on the manpower problem are limited. Several measures could be adopted, but they will have a limited and temporary effect on labor force growth.

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- Older workers could be retained longer in the labor force.
- More young workers could be brought into the labor force by changing education policies.
- The armed forces could be reduced by shortening the term of service.

Moscow's options for affecting the productivity of investment are even more constrained.

- The Soviets could shift industrial capacity from defense to the production of investment goods. But defense production is what the Soviets do best, and they would be reluctant to undermine that capability. Moreover, specialized defense resources are not easily transferred on short notice.
- Moscow could stretch out R&D and production schedules and slow the rate of expansion of defense-oriented industrial capacity, but this would have little effect, at least in the short run.
- The Soviets could try to improve productivity through reforms of economic management. With powerful vested interests, however, there is virtually no chance for reforms far-reaching enough to spur the economy through the mid-1980s.

Even a combination of these measures--such as a leveling off of defense production coupled with measures to obtain additional manpower--would probably raise economic growth only slightly. Moreover, high growth would increase the demand for oil and thus make the potential shortage greater.

These are *average* figures; performance in some years could be better, but also worse, with zero growth or even absolute declines in GNP a real possibility if oil shortages and a bad crop year coincide.

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### **Impact on Defense**

The slowdown in economic growth is likely to trigger intense debate in Moscow over the future levels and pattern of military expenditures. Military programs have great momentum and powerful political and bureaucratic support. We expect spending to continue to increase in the next few years at something like recent annual rates of 4 to 5 percent because of programs in train. As the economy slows, however, ways to reduce the growth of defense expenditures should become increasingly attractive to major elements of the Soviet leadership.

Defense will continue to be the primary claimant on resources, and defense programs essential to an appropriate balance of forces will be maintained, but the economic incentives to seek arms agreements that limit US arms competition will be greater.

### **Impact on the Consumer**

The reduced growth potential means that the Soviet consumer will fare poorly during the next five to 10 years relative to recent gains. Under the growth rates posited for 1981-85, per capita consumption could grow no more than 2 percent a year vs. about 3.5 percent since 1965. As a result, there will be no progress in closing the gap in living standards with the West or, for that matter, with most of Eastern Europe. Moreover, with an aging labor force and the consequent wage creep, the increasing amount of disposable income combined with a slower growth in the availability of consumer goods will result in inflationary pressures and increasing frustration for the consumer.

### **Relations with the US**

Moscow's economic problems in the 1980s will strongly affect its relations with the West, especially the US. Even under favorable assumptions for hard currency earnings, Soviet ability to import from the industrial West in the early and mid-1980s will almost certainly decline. Moscow, therefore, may ask for long-term credits (10-15 years), especially to develop oil and gas resources. The USSR needs US technology to do this rapidly. Long-term credits would require government guarantees.

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### Choices for the Leadership

As Soviet leaders obtain a better perception of the resource problems ahead, they will be led to consider policies rejected in the past as too contentious or lacking in urgency. Some leaders might be persuaded that basic organization and management reforms in industry are necessary. But that will raise the spectre that such reform would threaten political control. Consideration of other options—such as accelerating investment at the expense of defense or consumption, or reducing the armed forces to enhance the civilian labor force—could also result in strong leadership disagreements.

Soviet responses to economic problems will be severely complicated by the fact that leadership stability will almost surely weaken during the coming period. The aging leadership group has been timid in its approach to economic reform and is unlikely to face hard decisions and consider novel responses. Not until a new and vigorous leadership is in power is it likely that the Politburo will come to grips with the difficult problems of the Soviet economy. (Confidential)

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### PEKING'S FRESH LOOK AT IMPORT FINANCING

China may relax its conservative attitude toward foreign credits to accelerate imports of capital goods. During a recent visit by a high-level delegation of the Bank of China (BOC) to Western Europe, the Chinese discussed a number of different methods of financing industrial imports with European bankers, although no actual business was negotiated.

A BOC delegation headed by General Manager Pu Ming visited a number of major banks in Switzerland, West Germany, Belgium, and the United Kingdom in late May through early June. In discussions with the bankers the Chinese sought information on medium- and long-term credits, Eurocurrency borrowing, and syndicated loans. Other topics of interest were commissions, insurance, and shipping as they pertain to import financing.

Two specific proposals were discussed. In Brussels the BOC delegation asked a Belgian bank if it would be willing to participate in a \$50 million loan to the PRC. The bankers' impression was that the PRC group was only testing West European

reaction to such a request. Both sides indicated that it would be premature to discuss the details of a loan but agreed in principle. During their West German visit the group was reportedly offered a \$1 billion consortium loan. A similar proposal was apparently discussed with Swiss bankers. The Chinese were interested in the German offer but deferred further discussion.

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This new interest in import financing indicates that Peking is rethinking its arch-conservative credit policy. To date China has accepted only medium-term supplier credits of up to five years for plant purchases, some short-term commodity credits, and short-term deposits by foreign banks with the BOC. By defining these as deferred payments and reciprocal deposits, Peking has been able to maintain a no-foreign-debt facade. Previously Western businessmen and bankers have found the Chinese unwilling to even discuss long-term credits or direct borrowing.

It is not clear whether China has made a decision to liberalize its credit policy or is merely collecting information on financial alternatives. One report stated that the BOC delegation told a bank that the PRC had changed its financial philosophy and was definitely interested in borrowing to help finance technology imports. Another report, however, identified disagreement within the BOC over the efficiency of medium- and long-term borrowing and indicated that such borrowing would not be possible under the current five-year plan (1976-80).

The new leadership has recommitted the PRC to imports of foreign technology as a means to spur economic development. Since the potential for China's export growth in the near future is limited, its willingness to accept foreign credits will determine the pace of capital imports. China's present debt structure is manageable, and it has an excellent credit rating in the West. If the leadership decides to seek foreign loans, funds would be readily available. Direct borrowing would also reduce financing costs for the Chinese. Foreign bankers would likely be willing to couch such loans in terms acceptable to Peking's fiscal philosophy. (Secret Noform)

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## THE PHILIPPINES: BALANCE-OF-PAYMENTS OUTLOOK

Buttressed by large foreign exchange reserves and adroit foreign borrowing, the Philippines has weathered the worst of the oil crisis and looks toward substantial improvement in international payments this year. A less-than-expected recovery in exports in 1976 produced a record current account deficit of \$1.1 billion. Nonetheless, Manila was able to offset the deficit through stepped-up borrowing—largely in foreign commercial capital markets and drawdowns on official project loans. We expect the current account deficit to decline to \$900 million from last years' \$1.1 billion, GNP to grow somewhat faster than 1976's 6.3 percent, and prices to increase on the order of 6 to 8 percent.

### Policy Under Martial Law

Declaration of martial law in 1972, with its attendant increase in political stability and central government control, ended much of the improvisation that had marked Manila's past handling of international payments problems. Philippine policy has since sought to strike a balance among credit expansion, domestic price restraint, and import growth. To assure attainment of these goals, Manila has done more to support exporters and foreign investors than in the unsettled days of the late 1960s. Building on foreign loans and strong exchange reserves, the government has been able to keep real growth at some 6 percent throughout the oil crisis period. Substantial public investment in infrastructure has begun to pay off in improved agricultural growth.

Except for a misguided attempt to drive up world sugar prices in 1975, Marcos' economic planners and managers have proved unusually adept at overcoming setbacks from the oil price rises and the effects of world recession. In large measure, Manila's success stems from its ability to exploit new sources of both official and commercial credit and its shrewd management of the country's growing debt.

Nevertheless, several more fundamental factors continue to color judgments on Philippine economic prospects. The problem of who will succeed President Marcos has created uncertainty among both domestic entrepreneurs and foreign creditors as to the future direction of Philippine affairs. The lack of new agreements with the US on bilateral economic relations and on American military bases also raises doubts as to whether the traditionally close US-Philippine relationship will endure. Lastly, the

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### Current Account Patterns in 1973-75

The Philippine current account deteriorated sharply in 1974-75 and has only recently begun to show signs of recovery. The downturn followed rapid export growth and the attainment of a record trade surplus during the 1973 world commodity boom. These accomplishments had led to a phenomenal gain in foreign exchange reserves, which ultimately crested at \$1.5 billion in 1974.

#### Philippines: Foreign Financial Gap

|                                       | Million US \$ |       |        |                   |                   |
|---------------------------------------|---------------|-------|--------|-------------------|-------------------|
|                                       | 1973          | 1974  | 1975   | 1976 <sup>1</sup> | 1977 <sup>2</sup> |
| Exports, f.o.b.                       | 1,871         | 2,694 | 2,263  | 2,517             | 3,200             |
| Imports, f.o.b.                       | 1,597         | 3,143 | 3,459  | 3,634             | 4,100             |
| Net services and transfers            | 170           | 167   | 206    | -22               | -10               |
| Current account balance               | 444           | -282  | -990   | -1,139            | -910              |
| Debt amortization                     | -340          | -345  | -350   | -368              | -420              |
| Financial gap                         | 104           | -627  | -1,340 | -1,507            | -1,330            |
| Medium- and long-term capital inflows | 374           | 949   | 1,274  | 2,030             | 1,330             |
| Direct investment                     | 65            | 28    | 70     | 85                | 100               |
| Government and private loans          | 232           | 846   | 1,137  | 1,912             | 1,195             |
| Government grants                     | 77            | 75    | 67     | 33                | 35                |
| Net short-term capital                | 75            | 231   | 102    | -96               | 0                 |
| Errors and omissions                  | -66           | -87   | -182   | -145              | 0                 |
| Change in reserves                    | 487           | 466   | -146   | 272               | 0                 |

<sup>1</sup> Preliminary.

<sup>2</sup> Projected.

High world prices for sugar and coconut products continued into 1974. Import prices rose by 75 percent that year, only partly because of oil price increases; total imports nearly doubled. Reduced demand for such key exports as logs and plywood, copper, and coconut oil in the latter half of the year produced a sizable current account deficit, the first since 1970. Still, capital inflows more than offset the deficit.

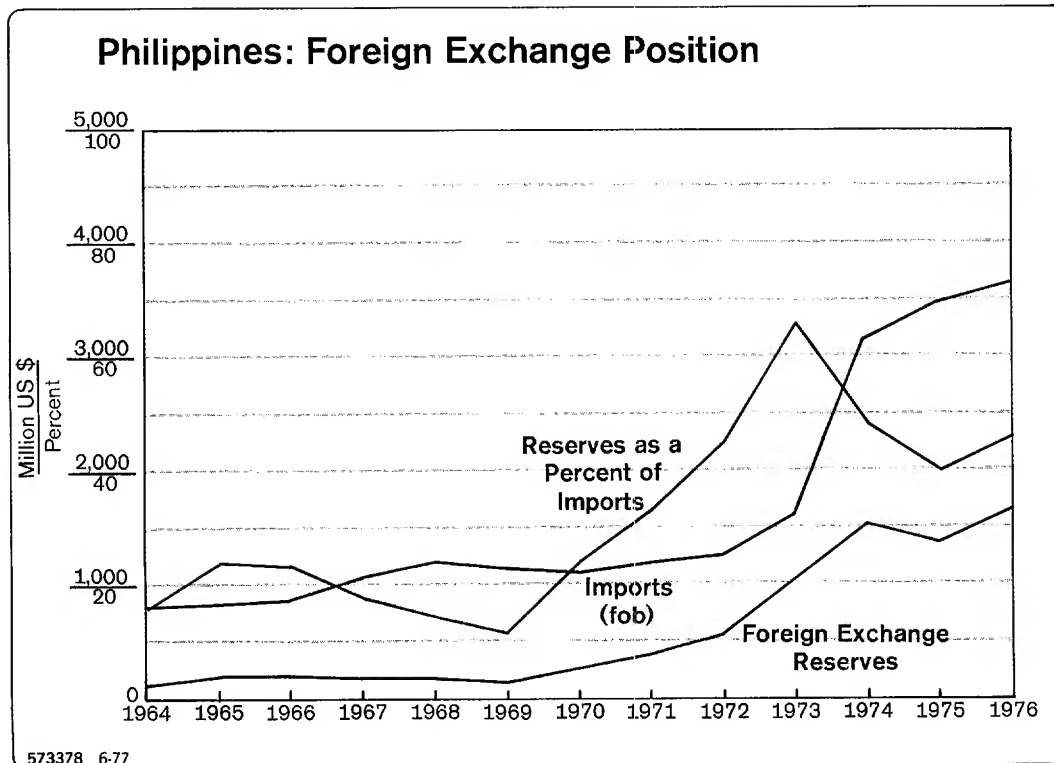
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In 1975 the adverse impact of the world recession was acute. Commodity exports dropped 16 percent while imports rose by 10 percent, producing a record trade deficit of \$1.2 billion. Despite some growth in receipts from services and transfers (including US veterans' pensions), the current account deficit rose to nearly \$1 billion. To cover it, Manila moved quickly to foreign borrowing, tapping an existing \$700 million credit line with commercial banks in the United States and Europe as well as \$150 million from the IMF. These credits enabled Manila to sustain economic growth near 6 percent, continue key development projects, and maintain foreign exchange reserves near the 1974 level.

### Moderate Improvement in 1976

The key feature of Philippine trade and payments patterns in 1976 was a slower-than-expected recovery in commodity exports. Overall, exports rose only 11 percent, compared with about 20 percent for the non-OPEC LDCs as a group. Depressed sugar prices and earnings accounted for most of the gap. Even though imports were held to a 5-percent gain, the trade gap was \$1.1 billion; higher interest payments widened the current account deficit to \$1.1 billion.

Manila again opted to finance the deficit through stepped-up foreign borrowing, rather than further constraining imports or drawing down reserves. The



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financial gap was amply covered by a series of private Euromarket syndications (\$900 million in commitments in 1976) coupled with longer term official project loans and a \$100 million credit from the IMF'S Extended Fund Facility. Foreign reserves increased almost \$300 million in 1976.

### **Growth of Foreign Debt**

Although borrowing to meet foreign exchange needs has pushed Philippine outstanding foreign debt up sharply, debt service has remained within manageable limits. By the end of 1976, outstanding debt amounted to \$5.5 billion, up from \$2.3 billion in 1973. About 80 percent was composed of medium- and long-term obligations, of which \$2.5 billion was accounted for by the government. Debt service payments rose gradually to a level of about \$560 million in 1976; the debt service ratio (amortization plus interest payments divided by gross earnings on current account) moved up from 12.7 percent in 1974 to 15.5 percent in 1976.

### **Outlook for 1977**

The outlook for 1977 is somewhat brighter than last year, although some problems persist. Commodity exports are running nearly 30 percent higher than for comparable periods in 1976. Even with a weak world market, sugar earnings should be substantially larger because of long-term contracts worked out by the government last year. Other key primary exports—particularly copper, coconut, and forestry products—are expected to remain strong. As a result of vigorous government promotional efforts, including a favorable exchange rate policy, nontraditional exports—such as garments, handicrafts, electronic components, nickel, fish, bananas, and, more recently, coffee—are projected to increase by 40 to 50 percent to \$800 million. Thus, we estimate total exports will rise 27 percent, to \$3.2 billion. Imports, on the other hand, will increase at about half the rate; they will total about \$4.1 billion, given an oil bill of \$1 billion. Raw material and capital goods imports should be enough to support GNP growth near the 7-percent target.

The current account deficit will be offset by development loans and private foreign investment. Gross foreign exchange reserves are expected to remain essentially unchanged. External debt will continue to grow but at rates well below those of 1975 and 1976.

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### Beyond 1977

The existing debt service burden will peak in 1978 at around \$700 million. We expect the Philippine current account to remain in deficit for the next several years, moderately below the \$900 million level estimated for 1977. We expect Manila to stick with current economic policies unless market conditions for exports deteriorate sharply or foreign borrowing becomes substantially more difficult. (Unclassified)

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### SOUTH KOREA: IMPROVED FOREIGN FINANCIAL POSITION

The dramatic improvement in South Korea's foreign financial position in 1976 and the prospect of a further gain this year has greatly eased Seoul's policy options. Sharply increased exports and service receipts have enabled South Korea to achieve a nearly balanced current account while putting it among the world leaders in GNP growth. Foreign exchange reserves have nearly doubled to \$3.5 billion since May 1976, and international confidence in the Korean economy has reached new highs. While security concerns continue to force Korea to pay high interest rates, the prospect of US troop withdrawals has had little impact on Korea's ability to attract foreign capital.

### The 1974-75 Scramble for Funds

South Korea was rocked hard by the effects of the OPEC oil price hikes and the ensuing global recession. Slumping demand for Korean exports and higher prices for raw material imports precipitated a balance-of-payments crisis. Seoul's terms of trade declined 27 percent during 1974-75, and its oil bill more than quadrupled, to \$1.3 billion. As a result, the current account deficit soared to \$2 billion in 1974, compared with \$300 million in 1973. Unwilling to slow domestic growth, Seoul delayed import and inflation controls and thus suffered a \$1.9 billion deficit in 1975.

To finance the current account shortfall and \$400 million a year in debt repayments, Seoul tapped every available source of foreign exchange. Overseas borrowing totaled some \$5 billion, including \$1.7 billion in high-interest short-term loans. By early 1975, 80 percent of short-term credit lines had been drawn.



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South Korea's long-term debt rose 75 percent over the two-year period and reached \$5.8 billion by the end of 1975, equivalent to about one-third of GNP. At the same time, the short-term debt more than tripled to \$2 billion. While real GNP increased at a relatively strong 8.5 percent in both 1974 and 1975, unemployment climbed to about 10 percent and inflation averaged 34 percent.

#### South Korea: Foreign Financial Gap

|                                              | 1973          | 1974   | 1975   | 1976 <sup>1</sup> | 1977 <sup>2</sup> |
|----------------------------------------------|---------------|--------|--------|-------------------|-------------------|
|                                              | Million US \$ |        |        |                   |                   |
| Exports, f.o.b.                              | 3,271         | 4,515  | 5,003  | 7,815             | 10,000            |
| Imports, f.o.b.                              | 3,837         | 6,452  | 6,674  | 8,227             | 10,430            |
| Net services and transfers                   | 257           | -86    | -216   | 129               | 480               |
| Current account                              | -309          | -2,023 | -1,887 | -283              | 50                |
| Debt amortization                            | -408          | -428   | -405   | -730              | -784              |
| Financial gap                                | -717          | -2,451 | -2,292 | -1,013            | -734              |
| Medium- and long-term capital inflows        | 992           | 1,606  | 1,898  | 1,903             | 2,058             |
| Net short-term capital                       | 65            | 860    | 887    | 529               | -124              |
| Change in reserves                           | 340           | 15     | 493    | 1,419             | 1,200             |
| Other financial items:                       |               |        |        |                   |                   |
| External debt yearend (including short-term) | 3,800         | 5,600  | 7,800  | 9,700             | 10,600            |
|                                              | Percent       |        |        |                   |                   |
| Debt service ratio (medium- and long-term)   | 13.8          | 12.4   | 12.7   | 11.9              | 10.6              |

<sup>1</sup> Preliminary.

<sup>2</sup> Projected.

#### The 1976 Turnaround

Paced by a sharp increase in exports and service receipts, South Korea slashed its current account deficit to a mere \$283 million last year while attaining real GNP growth of 15 percent. Taking advantage of the consumer-based recovery in the major industrialized countries, South Korea boosted its exports 56 percent last year.

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Sales to the United States, which rose 62 percent, accounted for almost two-fifths of the increase. Exports to Japan and Western Europe increased 40 percent and 46 percent, respectively, while shipments to the Middle East doubled. Import growth was held to 23 percent as a result of bumper harvests of barley and rice, further strides in import substitution, and government import restrictions.

The services deficit was also reduced sharply, from \$440 million in 1975 to \$190 million last year. Remittances from overseas construction workers increased from \$39 million to \$438 million, more than offsetting the growth in Korea's interest payments. South Korean construction industries lined up \$2.5 billion in new contracts last year, compared with \$830 million in 1975. Saudi Arabia alone accounted for almost 90 percent of the total.

As a result of these trends, the foreign financial gap was reduced from the \$2.4 billion average in 1974-75 to \$1 billion last year, despite an 80-percent increase in debt amortization payments. The turnaround greatly eased Seoul's foreign borrowing requirements. With foreign exchange reserves mounting, the Park government stepped up repayment of credits obtained in 1975 and began to dismantle incentive schemes that had encouraged short-term borrowing. The Ministry of Finance lowered the ceiling on interest rates for short-term credits, put limits on foreign currency swaps, and readjusted the import deposit regulations. Nevertheless, net short-term inflows amounted to \$529 million, and foreign exchange reserves nearly doubled, reaching \$2.9 billion at yearend 1976. The improvement impressed foreign bankers, several of whom increased their lines of credit. Korean utilization of short-term credit lines fell to 37 percent.

**South Korea:  
Current Account  
Balance**

|                     | <u>Million US \$</u> |
|---------------------|----------------------|
| 1974 I              | -391                 |
| II                  | -483                 |
| III                 | -544                 |
| IV                  | -604                 |
| 1975 I              | -851                 |
| II                  | -719                 |
| III                 | -78                  |
| IV                  | -238                 |
| 1976 I              | -363                 |
| II                  | -123                 |
| III                 | -6                   |
| IV                  | 209                  |
| 1977 I <sup>†</sup> | -54                  |

<sup>†</sup>Preliminary.

### Outlook for 1977

Even though foreign exchange constraints have eased considerably in the last year or so, the Park government has recently tightened fiscal and monetary policy to avoid accelerating inflation. Rigid controls over expansion of domestic credit and government spending has slowed domestic economic activity, at least temporarily. Industrial production, which increased 33 percent last year, rose at a 3-percent annual rate in the first quarter. Construction activity has been especially weak, declining 28 percent in the first four months. If, as expected, economic activity strongly recovers during the balance of the year, Seoul's GNP target of 10 percent still appears attainable.

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Holding inflation to 10 percent will prove difficult, even if Seoul maintains tight price controls. Wholesale prices increased at a 14 percent annual rate between January and April. Moreover, last month's increase in domestic petroleum prices and the implementation of a value-added tax on 1 July will bolster price pressure.

### *The Financial Gap*

The foreign financial gap is likely to close further in 1977 despite increased debt amortization payments. South Korea may, in fact, achieve its first current account surplus in more than a decade.

The improvement will stem primarily from a stronger services account. Service receipts are likely to surpass Seoul's projections again this year. Through May, revenues were up 110 percent. Remittances from overseas construction workers are providing much of the increase and should easily exceed Seoul's \$624 million target. The construction companies have gotten off to a fast start and will probably meet the year's \$3.1 billion goal for new contracts.

The trade deficit should remain near last year's \$400 million level. Exports are expected to increase nearly 30 percent, about half last year's growth rate, due to slower growth and increased import protection in the industrialized countries. Overseas sales through the first five months are running about 35 percent ahead of last year; letters of credit, however, have slowed. Foreign demand for Korea's light manufactures has weakened; shipments of heavy industrial products, facilitated by the establishment of the Korean Export-Import Bank last July, have taken up the slack. Export-Import Bank disbursements have already reached \$180 million, primarily to finance ship sales to Western Europe.

### *Financing the Gap*

South Korea should have little difficulty obtaining foreign financing to cover a projected \$735 million financial gap. Seoul has, in fact, further tightened curbs on short-term borrowing to slow the rapid buildup in foreign exchange reserves. By the end of May, reserves had surpassed \$3.5 billion, equivalent to four months' imports.

Counting funds already in the pipeline and new credit commitments to date, total medium- and long-term inflows should surpass \$2 billion this year. While private creditors will supply more than half of the total, international institutions, notably the World Bank and the Asian Development Bank, should continue to

SECRET

increase their share of medium- and long-term loans. These two agencies increased their disbursements to Seoul by 25 percent in 1976 and also accounted for 15 percent of new commitments last year, compared with 8 percent in 1974. Western Europe has surpassed the United States and Japan as Korea's leading source of commercial financing. Private investment, which accounted for only 4 percent of capital inflows over the past three years, will remain low due to increased government selectivity, joint venture requirements, and uncertainty about future government policy.

The prospect of US troop withdrawals from South Korea has had little effect on Seoul's ability to secure foreign funds. A recent \$100 million syndicated loan handled by West Germany's largest private bank was successfully subscribed even though it carried a lower interest rate and longer term than previous Korean borrowings.

### Looking Ahead

The outlook for South Korea's economy and foreign payments position is reasonably bright. Seoul will need about \$2.5 billion annually in medium- and long-term capital inflows over the next five years to carry out development plans, service its existing debt, and meet a real GNP growth target of roughly 9 percent per year. Debt amortizations are scheduled to peak at \$1.5 billion in the early 1980s. Political and military stability on the peninsula will be crucial if Seoul is to attract the necessary foreign capital inflows. A strong US security commitment will continue to play a critical role in assuring Seoul's access to foreign commercial financing. (Confidential)

\* \* \* \* \*

### Notes

#### Turkey: Update on Foreign Exchange Situation

A number of foreign banks have been testing Ankara's ability to meet its obligations by calling their deposits in Turkish banks as they come due. With foreign exchange reserves at only \$650 million, the Central Bank has been late—by as much as 10 days in some cases—in meeting these payments. It also has refused to authorize \$1.2 billion in foreign exchange transfers to pay for imports. While most foreign banks have been replacing their foreign exchange deposits after a few days, deposits

SECRET

have been falling over the last two to three weeks. According to a Central Bank official, about \$350 million of these so-called convertible lira deposits must be repaid or rolled over by September; previous reports had placed the amount at \$600 million. We cannot determine whether or not the difference is due to repayments or rollovers during June.

The Central Bank has not drawn on a recently arranged \$100 million standby credit from the Bank for International Settlements. Prime Minister Ecevit's minority government still must win a vote of confidence before it can begin to tackle the country's economic problems. (Confidential)

#### USSR: Oil Export Shift

In an apparent all-out drive to earn hard currency, the USSR in 1976 diverted oil exports from Communist countries to the West. Preliminary Soviet trade data show that oil deliveries to Communist countries—mostly East European—declined by 5 percent to 1.45 million b/d. For the first time, exports to the West at 1.52 million b/d exceeded those to Communist countries. Exports to hard currency countries rose from 775,000 b/d in 1975 to an estimated 1.2 million to 1.3 million b/d—an increase from \$3.2 billion to about \$5.5 billion. Total Soviet hard currency exports, which rose from \$8 billion in 1975 to \$9.8 billion in 1976 would have declined in the absence of a boost in oil exports.

Moscow will probably be hard-pressed in 1977 to match the 1976 volume of oil shipments. There have been several reports of Soviet failure to make scheduled shipments to a number of countries in the first few months of this year. (Confidential)

#### OECD Sees Continued Sluggish Growth

Recently released economic projections by the OECD underscore a growing consensus that sluggish growth will continue at least into next year. The Economic Policy Committee of the OECD announced in Paris earlier this month that it expects growth in six major foreign developed countries to average well under 4 percent through mid-1978.

The new OECD figures are somewhat more pessimistic than those of other forecasters. Two major US private forecasting groups—Data Resources Incorporated (DRI) and Chase Econometric—are predicting roughly 4-percent growth this year

**Major Developed Countries:  
Projections of 1977 GNP Growth**

|                      | <b>Percent</b> |                  |              |            |
|----------------------|----------------|------------------|--------------|------------|
|                      | <b>OECD</b>    | <b>CIA</b>       | <b>Chase</b> | <b>DRI</b> |
| United States        | 5.1            | 5.0 <sup>1</sup> | 4.6          | 5.0        |
| Big Six <sup>2</sup> | 3.5            | 4.1              | 4.2          | 3.9        |
| Japan                | 5.0            | 6.1              | 6.1          | 5.6        |
| West Germany         | 3.9            | 4.2              | 4.5          | 5.0        |
| France               | 3.5            | 3.7              | 3.5          | 3.7        |
| United Kingdom       | 1.1            | 1.8              | 1.4          | 1.5        |
| Italy                | 2.0            | 2.4              | 3.4          | 1.9        |
| Canada               | 3.1            | 3.8              | 3.7          | 3.3        |

<sup>1</sup>Derived from official CEA estimate of growth between fourth quarter 1976 and fourth quarter 1977.

<sup>2</sup>Composite based on 1975 GNP weights.

and next. Preliminary CIA projections also point to about 4-percent growth. Even with the CEA's estimate of 5-percent economic growth in the US, which the CIA is assuming, the OECD's growth will fall well short of the level needed to attain its medium-term objective of 5-percent noninflationary growth over the remainder of the decade. (For Official Use Only)

**Publication of Interest\***

**South Africa: Economic Factors Affecting Apartheid  
(ER 77-10331, June 1977, Confidential)**

This memorandum reviews the economic aspects of apartheid and points to some of their more serious implications. Economic factors as well as the commitment of the government to white supremacy and separate development stand in the way of watering down or dismantling apartheid. Under present conditions, we foresee very little improvement in the pace of black progress.

\*A copy of this publication may be ordered by calling [REDACTED] Code 143, Extension 5201.

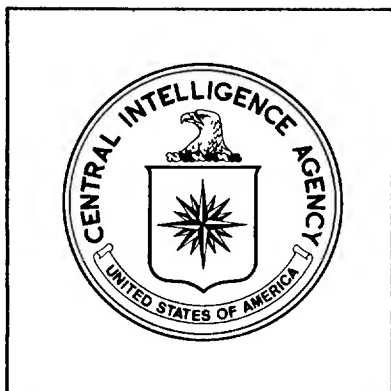
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Approved For Release 2001/04/11 : CIA-RDP79B00457A001100050001-6

**Secret**

**Secret**

Approved For Release 2001/04/11 : CIA-RDP79B00457A001100050001-6



## *ECONOMIC INDICATORS*

Prepared by  
The Office of Economic Research

ER EI 77-026  
30 June 1977



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## FOREWORD

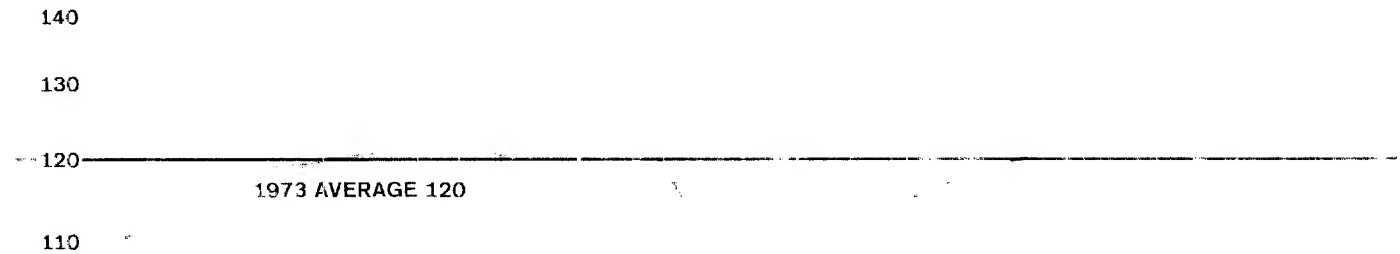
1. The **Economic Indicators** provide up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators** are updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

2. Source notes for the **Economic Indicators** will be published quarterly. The most recent data of publication is 20 April 1977. Comments and queries regarding the **Economic Indicators** are welcomed.

# INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

## United States

Semilogarithmic Scale



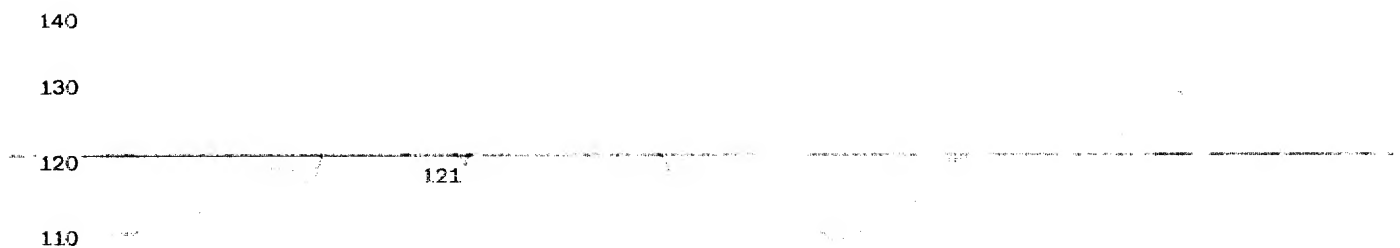
## Japan



## West Germany



## France

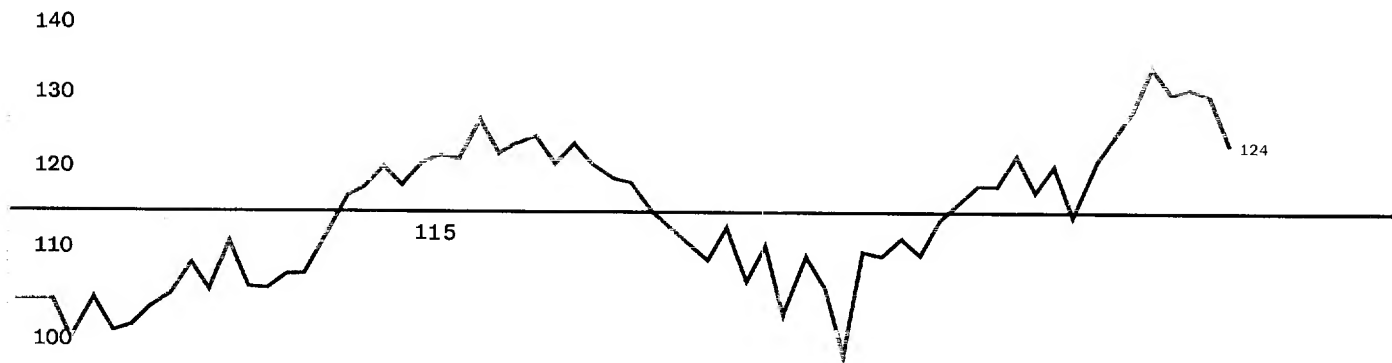


## United Kingdom

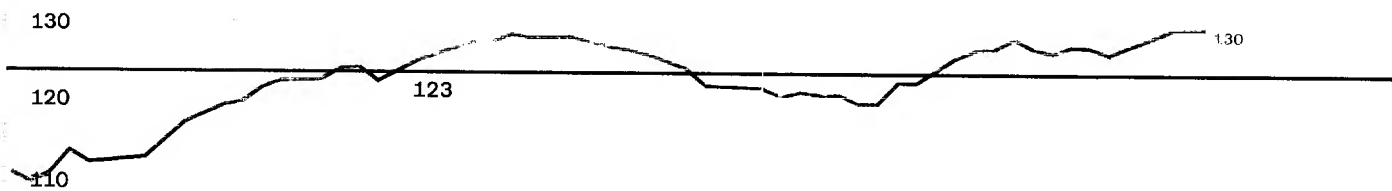
Semilogarithmic Scale



## Italy



## Canada

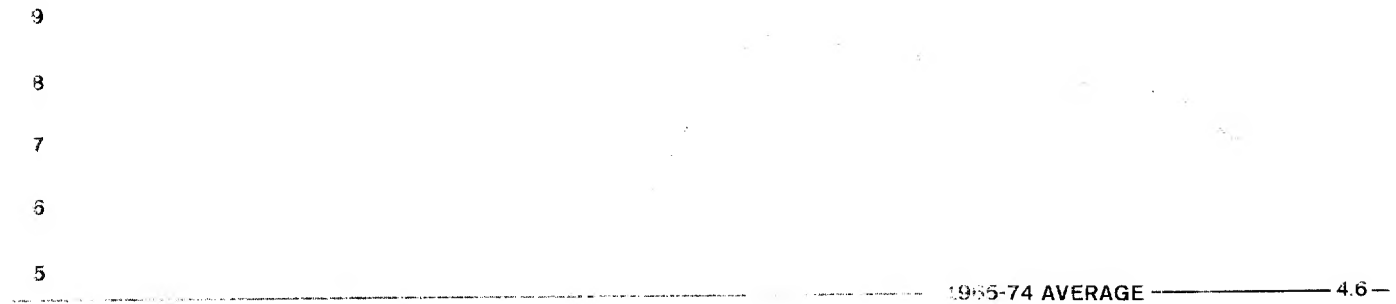


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1972 1973 1974 1975 1976 1977

|               | LATEST MONTH | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE |                |                               |                | LATEST MONTH | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE |                |                               |
|---------------|--------------|------------------------------------|----------------------------------|----------------|-------------------------------|----------------|--------------|------------------------------------|----------------------------------|----------------|-------------------------------|
|               |              |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier <sup>1</sup> |                |              |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier <sup>1</sup> |
| United States | MAY 77       | 1.1                                | 3.6                              | 6.3            | 11.4                          | United Kingdom | APR 77       | 0.8                                | 0.7                              | 1.5            | 2.1                           |
| Japan         | APR 77       | 0.9                                | 4.2                              | 4.4            | 3.8                           | Italy          | APR 77       | 5.3                                | 3.2                              | 5.4            | 6.4                           |
| West Germany  | APR 77       | 0.8                                | 2.3                              | 4.5            | 2.3                           | Canada         | MAR 77       | 0.1                                | 3.9                              | 2.2            | 8.1                           |
| France        | MAR 77       | 1.6                                | 3.9                              | 5.7            | 14.7                          |                |              |                                    |                                  |                |                               |

## UNEMPLOYMENT PERCENT OF LABOR FORCE

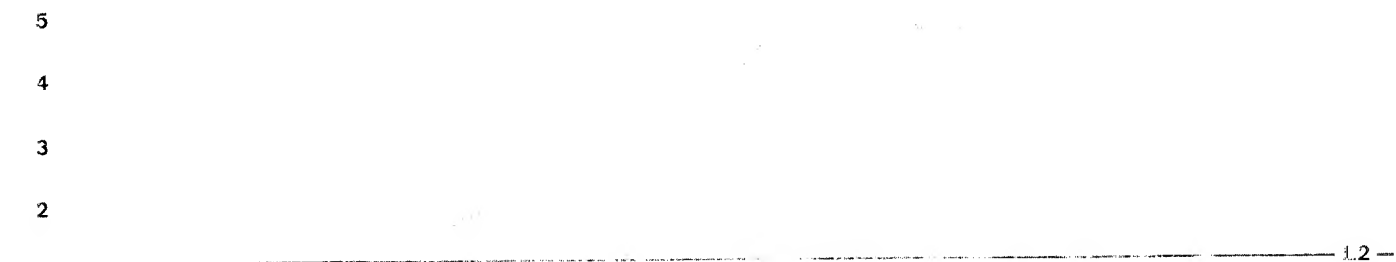
### United States



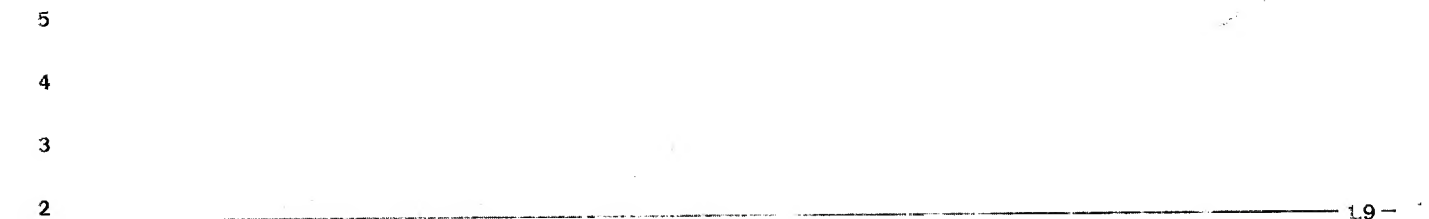
### Japan



### West Germany

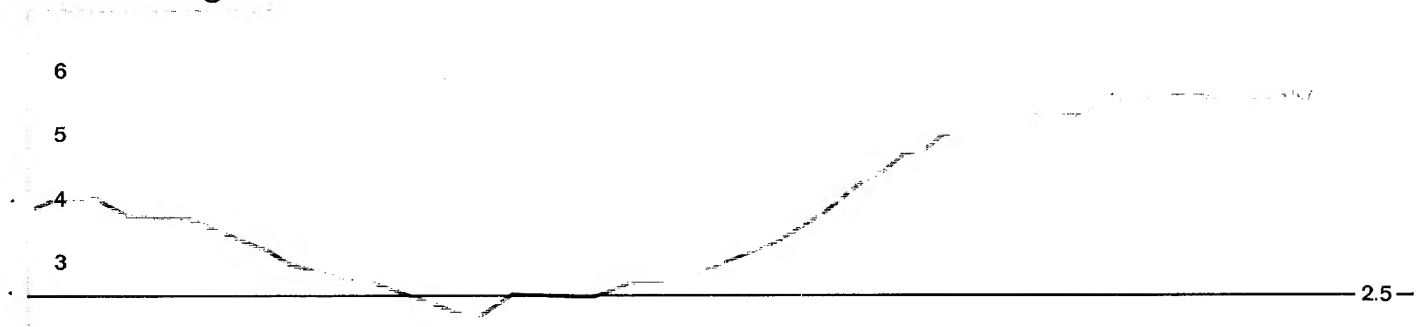


### France



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1972 1973 1974 1975 1976 1977

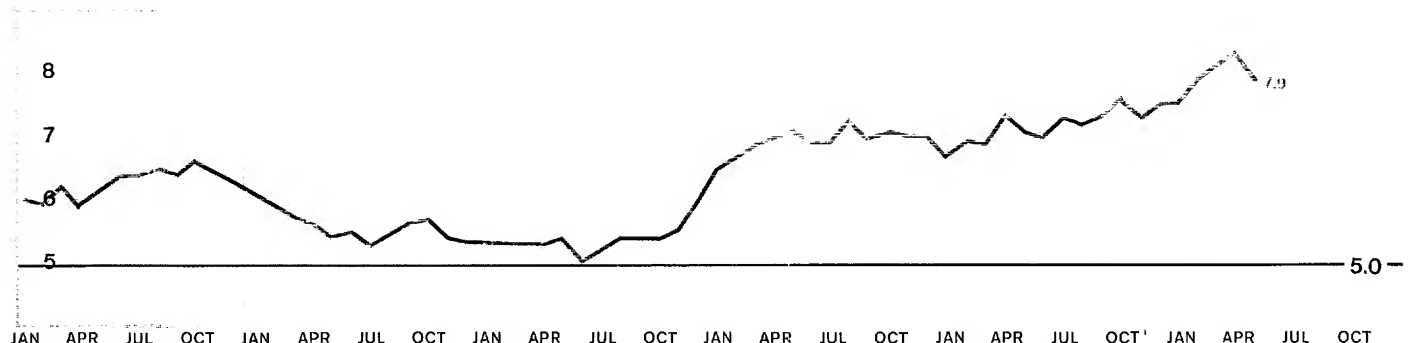
## United Kingdom



## Italy (quarterly)



## Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT  
1972 1973 1974 1975 1976 1977

## THOUSANDS OF PERSONS UNEMPLOYED

|               |        | LATEST MONTH | 1 Year Earlier | 3 Months Earlier |                | LATEST MONTH | 1 Year Earlier | 3 Months Earlier |
|---------------|--------|--------------|----------------|------------------|----------------|--------------|----------------|------------------|
| United States | MAY 77 | 6.750        | 6.911          | 7.183            | United Kingdom | JUN 77       | 1.353          | 1.261            |
| Japan         | MAR 77 | 1.050        | 1.040          | 980              | Italy          | 76 IV        | 777            | 776              |
| West Germany  | MAY 77 | 1.022        | 1.053          | 996              | Canada         | MAY 77       | 841            | 829              |
| France        | MAY 77 | 1.097        | 953            | 972              |                |              |                |                  |

NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan, Italy and Canada are roughly comparable to US rates. For 1975-77, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates.

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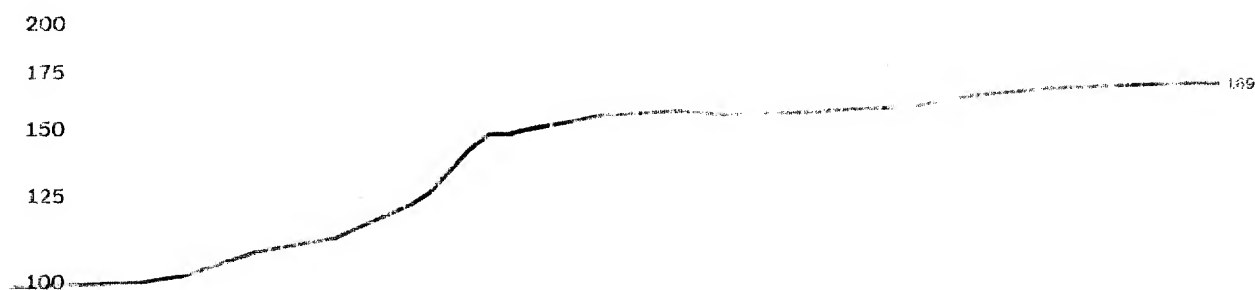
# **DOMESTIC PRICES<sup>1</sup> INDEX: 1970=100**

## **United States**

Semilogarithmic Scale



## **Japan**



## **West Germany**



## **France**

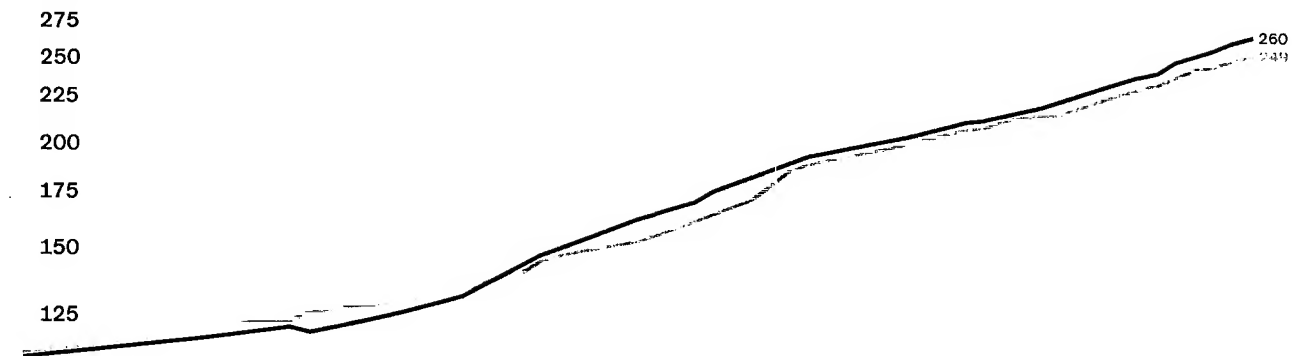


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1972 1973 1974 1975 1976 1977

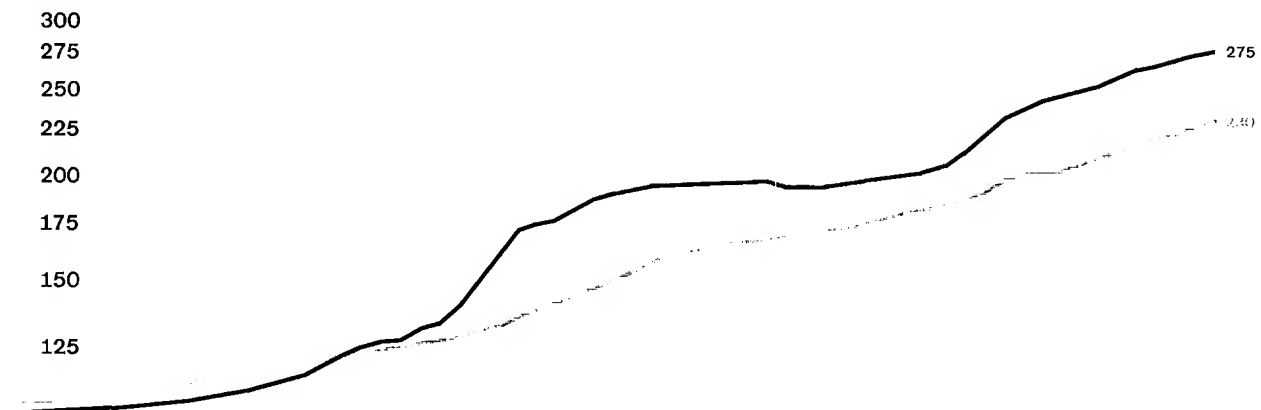
<sup>1</sup>Wholesale price indexes cover industrial goods.

## United Kingdom

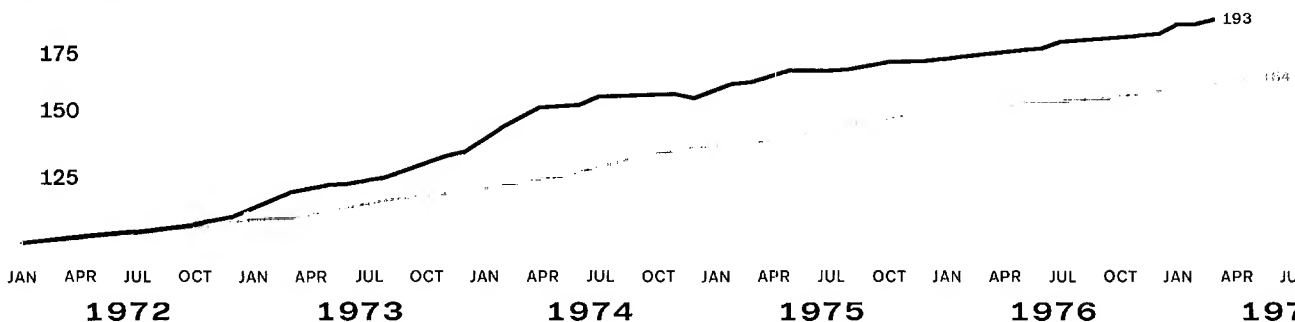
Semilogarithmic Scale



## Italy



## Canada



|               | LATEST MONTH     | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE |                |                  |                | LATEST MONTH     | Percent Change from Previous Month | AVERAGE ANNUAL GROWTH RATE SINCE |                |                  |
|---------------|------------------|------------------------------------|----------------------------------|----------------|------------------|----------------|------------------|------------------------------------|----------------------------------|----------------|------------------|
|               |                  |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier |                |                  |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier |
| United States | MAY 77<br>APR 77 | 0.5<br>0.8                         | 8.6<br>6.0                       | 7.6<br>6.8     | 9.4<br>10.2      | United Kingdom | MAY 77<br>MAY 77 | 1.6<br>0.8                         | 14.9<br>14.2                     | 20.9<br>17.1   | 19.7<br>18.6     |
| Japan         | APR 77<br>APR 77 | -0.1<br>1.6                        | 8.1<br>10.9                      | 3.6<br>8.0     | 1.4<br>11.6      | Italy          | MAR 77<br>MAR 77 | 0.9<br>1.5                         | 16.3<br>13.2                     | 26.1<br>21.8   | 18.5<br>21.0     |
| West Germany  | APR 77<br>MAY 77 | 0.3<br>0.4                         | 5.5<br>5.7                       | 3.5<br>3.8     | 4.3<br>5.1       | Canada         | MAR 77<br>MAY 77 | 1.8<br>0.8                         | 10.3<br>7.1                      | 11.2<br>7.6    | 13.8<br>10.1     |
| France        | JAN 77<br>APR 77 | -0.1<br>1.3                        | 9.7<br>9.0                       | 8.2<br>9.5     | 3.8<br>12.2      |                |                  |                                    |                                  |                |                  |



## GNP

### Constant Market Prices

|                | Latest Quarter | Percent Change from Previous Quarter | Average Annual Growth Rate Since |                |                  |
|----------------|----------------|--------------------------------------|----------------------------------|----------------|------------------|
|                |                |                                      | 1970                             | 1 Year Earlier | Previous Quarter |
|                |                |                                      |                                  |                |                  |
| United States  | 77 I           | 1.3                                  | 2.9                              | 4.1            | 5.2              |
| Japan          | 77 I           | 2.5                                  | 5.5                              | 4.9            | 10.2             |
| West Germany   | 76 IV          | 1.8                                  | 2.5                              | 4.5            | 7.3              |
| France         | 76 IV          | 0                                    | 3.9                              | 4.9            | 0                |
| United Kingdom | 76 IV          | 2.1                                  | 2.0                              | 2.6            | 8.8              |
| Italy          | 76 IV          | 4.8                                  | 3.4                              | 9.4            | 20.6             |
| Canada         | 76 IV          | -0.6                                 | 4.8                              | 3.4            | -2.5             |

<sup>1</sup> Seasonally adjusted.

## RETAIL SALES

### Constant Prices

|                | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since |                |                               |
|----------------|--------------|------------------------------------|----------------------------------|----------------|-------------------------------|
|                |              |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier <sup>2</sup> |
|                |              |                                    |                                  |                |                               |
| United States  | Apr 77       | -0.4                               | 3.5                              | 5.2            | 9.8                           |
| Japan          | Feb 77       | 1.0                                | 10.6                             | 4.2            | 10.1                          |
| West Germany   | Apr 77       | -4.2                               | 1.9                              | 0.9            | -1.1                          |
| France         | Feb 77       | -5.1                               | -0.9                             | 0              | -1.4                          |
| United Kingdom | May 77       | 0.1                                | 0.6                              | -3.1           | -12.7                         |
| Italy          | Nov 76       | 0.6                                | 2.9                              | 1.2            | -4.6                          |
| Canada         | Feb 77       | -1.3                               | 4.8                              | 4.7            | 12.2                          |

<sup>2</sup> Seasonally adjusted.

<sup>3</sup> Average for latest 3 months compared with average for previous 3 months.

## FIXED INVESTMENT<sup>1</sup>

### Non-residential; constant prices

|                | Latest Quarter | Percent Change from Previous Quarter | Average Annual Growth Rate Since |                |                  |
|----------------|----------------|--------------------------------------|----------------------------------|----------------|------------------|
|                |                |                                      | 1970                             | 1 Year Earlier | Previous Quarter |
|                |                |                                      |                                  |                |                  |
| United States  | 77 I           | 3.4                                  | 1.6                              | 8.3            | 14.3             |
| Japan          | 77 I           | 0.2                                  | 0.9                              | 3.9            | 0.8              |
| West Germany   | 76 IV          | 3.3                                  | 1.1                              | 5.0            | 13.8             |
| France         | 75 IV          | 8.8                                  | 4.2                              | 2.9            | 40.1             |
| United Kingdom | 76 IV          | -6.7                                 | 0.2                              | 0.5            | -24.3            |
| Italy          | 76 IV          | 10.6                                 | 3.1                              | 15.7           | 49.6             |
| Canada         | 76 IV          | 8.5                                  | 6.8                              | 5.1            | 38.7             |

<sup>1</sup> Seasonally adjusted.

## WAGES IN MANUFACTURING<sup>1</sup>

|                | Latest Period | Percent Change from Previous Period | Average Annual Growth Rate Since |                |                               |
|----------------|---------------|-------------------------------------|----------------------------------|----------------|-------------------------------|
|                |               |                                     | 1970                             | 1 Year Earlier | 3 Months Earlier <sup>2</sup> |
|                |               |                                     |                                  |                |                               |
| United States  | Apr 77        | 0.5                                 | 7.5                              | 7.5            | 7.2                           |
| Japan          | Mar 77        | -1.4                                | 17.5                             | 11.2           | 7.2                           |
| West Germany   | 76 IV         | 0.2                                 | 9.3                              | 5.8            | 0.9                           |
| France         | 77 I          | 2.3                                 | 14.1                             | 13.9           | 9.5                           |
| United Kingdom | Nov 76        | 0.3                                 | 16.0                             | 9.0            | 1.8                           |
| Italy          | Mar 77        | 0.1                                 | 20.7                             | 35.8           | 30.5                          |
| Canada         | Feb 77        | 1.1                                 | 11.4                             | 12.0           | 12.0                          |

<sup>1</sup> Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.

<sup>2</sup> Average for latest 3 months compared with that for previous 3 months.

## MONEY MARKET RATES

|                      |                                     |             |      | Percent Rate of Interest |                  |                 |
|----------------------|-------------------------------------|-------------|------|--------------------------|------------------|-----------------|
| Representative rates |                                     | Latest Date |      | 1 Year Earlier           | 3 Months Earlier | 1 Month Earlier |
| United States        | Commerical paper                    | Jun 22      | 5.40 | 5.85                     | 4.75             | 5.48            |
| Japan                | Call money                          | Jun 24      | 5.63 | 7.00                     | 6.50             | 5.25            |
| West Germany         | Interbank loans (3 months)          | Jun 22      | 4.23 | 4.10                     | 4.69             | 4.31            |
| France               | Call money                          | Jun 24      | 8.75 | 7.50                     | 9.38             | 9.00            |
| United Kingdom       | Sterling interbank loans (3 months) | Jun 22      | 7.75 | 10.99                    | 9.60             | 7.51            |
| Canada               | Finance paper                       | Jun 22      | 7.14 | 9.57                     | 7.48             | 7.44            |
| Eurodollars          | Three-month deposits                | Jun 22      | 5.80 | 6.14                     | 5.24             | 5.98            |

# EXPORT PRICES US \$

Approved For Release 2001/04/11 : CIA-RDP79B00457A001100050001-6

|                | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since |                |                  |
|----------------|--------------|------------------------------------|----------------------------------|----------------|------------------|
|                |              |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier |
|                |              |                                    |                                  |                |                  |
| United States  | Mar 77       | 0.8                                | 10.1                             | 6.5            | 3.5              |
| Japan          | Apr 77       | 1.7                                | 11.0                             | 18.4           | 14.7             |
| West Germany   | Mar 77       | -0.2                               | 11.5                             | 9.8            | -3.5             |
| France         | Feb 77       | 0.4                                | 11.6                             | 2.7            | 14.9             |
| United Kingdom | May 77       | 1.9                                | 10.8                             | 14.6           | 15.2             |
| Italy          | Feb 77       | 2.9                                | 11.3                             | 17.6           | 29.1             |
| Canada         | Jan 77       | 1.2                                | 9.4                              | 0.3            | 0.9              |

# EXPORT PRICES National Currency

|                | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since |                |                  |
|----------------|--------------|------------------------------------|----------------------------------|----------------|------------------|
|                |              |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier |
|                |              |                                    |                                  |                |                  |
| United States  | Mar 77       | 0.8                                | 10.1                             | 6.5            | 3.5              |
| Japan          | Apr 77       | 0.1                                | 6.7                              | 9.2            | -7.3             |
| West Germany   | Mar 77       | -0.7                               | 4.7                              | 2.6            | -2.6             |
| France         | Feb 77       | 0.3                                | 9.8                              | 14.4           | 14.0             |
| United Kingdom | May 77       | 1.8                                | 16.3                             | 20.7           | 13.0             |
| Italy          | Feb 77       | 3.1                                | 17.3                             | 35.1           | 39.2             |
| Canada         | Jan 77       | 1.6                                | 8.5                              | -1.6           | 7.3              |

# IMPORT PRICES National Currency

|                | Latest Month | Percent Change from Previous Month | Average Annual Growth Rate Since |                |                  |
|----------------|--------------|------------------------------------|----------------------------------|----------------|------------------|
|                |              |                                    | 1970                             | 1 Year Earlier | 3 Months Earlier |
|                |              |                                    |                                  |                |                  |
| United States  | Mar 77       | 2.7                                | 14.0                             | 9.5            | 22.3             |
| Japan          | Apr 77       | -7.0                               | 10.6                             | -4.1           | -23.8            |
| West Germany   | Mar 77       | -0.5                               | 4.4                              | 3.3            | -0.3             |
| France         | Feb 77       | 2.1                                | 10.8                             | 19.3           | 16.8             |
| United Kingdom | May 77       | 0.1                                | 19.9                             | 18.7           | 11.0             |
| Italy          | Feb 77       | 4.6                                | 21.9                             | 39.3           | 33.4             |
| Canada         | Jan 77       | 4.8                                | 9.2                              | 0.7            | 32.2             |

# OFFICIAL RESERVES

|                | Latest Month | Billion US \$ |               |                |                  |
|----------------|--------------|---------------|---------------|----------------|------------------|
|                |              | End of        | Billion US \$ | 1 Year Earlier | 3 Months Earlier |
|                |              |               |               |                |                  |
| United States  | Apr 77       | Apr 77        | 18.9          | 14.5           | 17.4             |
| Japan          | May 77       | May 77        | 17.3          | 4.1            | 15.2             |
| West Germany   | Apr 77       | Apr 77        | 34.6          | 8.8            | 34.4             |
| France         | Mar 77       | Mar 77        | 9.8           | 4.4            | 11.1             |
| United Kingdom | Nov 76       | Nov 76        | 5.2           | 2.8            | 5.6              |
| Italy          | Sep 76       | Sep 76        | 5.1           | 4.7            | 5.8              |
| Canada         | Apr 77       | Apr 77        | 5.2           | 4.3            | 5.8              |

# CURRENT ACCOUNT BALANCE <sup>1</sup>

|                            | Latest Period | Million US \$ | Cumulative (Million US \$) |        |         |
|----------------------------|---------------|---------------|----------------------------|--------|---------|
|                            |               |               | 1976                       | 1975   | Change  |
|                            |               |               |                            |        |         |
| United States <sup>2</sup> | 76 IV         | -817          | -607                       | 11,694 | -12,301 |
| Japan                      | May 77        | 120           | 3,679                      | -616   | 4,295   |
| West Germany               | Apr 77        | 356           | 3,518                      | 3,922  | -404    |
| France                     | 76 IV         | -1,238        | -5,721                     | -5     | -5,716  |
| United Kingdom             | 77 I          | -502          | -2,548                     | -3,755 | 1,207   |
| Italy                      | 76 IV         | -882          | -2,900                     | -530   | -2,370  |
| Canada                     | 76 IV         | -1,280        | -4,495                     | -4,901 | 406     |

<sup>1</sup> Converted to US dollars at the current market rates of exchange.

<sup>2</sup> Seasonally adjusted.

# BASIC BALANCE <sup>1</sup>

## Current and Long-Term-Capital Transactions

|                | Latest<br>Period | Million US \$                    | Cumulative (Million US \$) |         |         |
|----------------|------------------|----------------------------------|----------------------------|---------|---------|
|                |                  |                                  | 1976                       | 1975    | Change  |
|                |                  |                                  |                            |         |         |
| United States  |                  | No longer published <sup>2</sup> |                            |         |         |
| Japan          | May 77           | - 120                            | 2,703                      | - 888   | 3,591   |
| West Germany   | Apr 77           | - 640                            | 3,460                      | - 2,838 | 6,298   |
| France         | 76 IV            | - 721                            | - 6,843                    | - 81    | - 6,761 |
| United Kingdom | 76 IV            | - 205                            | - 2,092                    | - 4,171 | 2,079   |
| Italy          | 76 III           | 779                              | - 2,232                    | 1,096   | - 3,329 |
| Canada         | 76 IV            | - 111                            | 3,128                      | - 1,052 | 4,180   |

<sup>1</sup> Converted to US dollars at the current market rates of exchange.

<sup>2</sup> As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

# EXCHANGE RATES

## Spot Rate

As of 24 Jun 77

|                                 | US \$ Per Unit | Percent Change from |                |                  |           |
|---------------------------------|----------------|---------------------|----------------|------------------|-----------|
|                                 |                | 19 Mar 73           | 1 Year Earlier | 3 Months Earlier | 17 Jun 77 |
|                                 |                |                     |                |                  |           |
| Japan (yen)                     | 0.0037         | -3.23               | 9.62           | 1.80             | 0.27      |
| West Germany (Deutsche mark)    | 0.4249         | 19.99               | 9.43           | 1.64             | 0.02      |
| France (franc)                  | 0.2025         | -8.12               | -3.93          | 0.67             | 0.08      |
| United Kingdom (pound sterling) | 1.7197         | -30.12              | -2.95          | 0.02             | 0.01      |
| Italy (lira)                    | 0.0011         | -36.16              | -4.56          | 0.27             | 0         |
| Canada (dollar)                 | 0.9425         | -5.53               | -8.64          | -0.65            | -0.33     |

# TRADE-WEIGHTED EXCHANGE RATES <sup>1</sup>

As of 24 Jun 77

|                | Percent Change from |                |                  |           |
|----------------|---------------------|----------------|------------------|-----------|
|                | 19 Mar 73           | 1 Year Earlier | 3 Months Earlier | 17 Jun 77 |
|                |                     |                |                  |           |
| United States  | 6.06                | 0.87           | -0.28            | 0.07      |
| Japan          | 2.48                | 11.71          | 1.69             | 0.31      |
| West Germany   | 24.58               | 7.31           | 1.40             | 0.06      |
| France         | -7.91               | -7.85          | -0.02            | 0.11      |
| United Kingdom | -30.44              | -4.86          | -0.02            | 0.07      |
| Italy          | -38.40              | -7.23          | -0.41            | 0         |
| Canada         | -3.28               | -9.10          | -0.78            | -0.34     |

<sup>1</sup> Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

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Developed Countries: Direction of Trade <sup>1</sup>

Million US \$

|                      | Exports to (f.o.b.) |           |            |                   |            |        | Imports from (c.i.f.) |           |            |                   |            |        |
|----------------------|---------------------|-----------|------------|-------------------|------------|--------|-----------------------|-----------|------------|-------------------|------------|--------|
|                      | World               | Big Seven | Other OECD | OPEC <sup>2</sup> | Com-munist | Other  | World                 | Big Seven | Other OECD | OPEC <sup>2</sup> | Com-munist | Other  |
| <b>UNITED STATES</b> |                     |           |            |                   |            |        |                       |           |            |                   |            |        |
| 1974 .....           | 97,908              | 45,884    | 16,870     | 6,690             | 2,258      | 26,206 | 107,997               | 53,332    | 10,912     | 17,256            | 1,078      | 25,419 |
| 1975 .....           | 107,191             | 46,941    | 16,180     | 10,768            | 3,421      | 29,881 | 103,414               | 49,307    | 8,818      | 18,371            | 1,253      | 25,165 |
| 1st Qtr .....        | 27,098              | 12,101    | 4,848      | 2,430             | 618        | 7,101  | 26,315                | 12,397    | 2,584      | 4,785             | 266        | 5,783  |
| 2d Qtr .....         | 26,360              | 11,886    | 3,808      | 2,697             | 538        | 7,431  | 24,733                | 12,150    | 2,114      | 4,166             | 206        | 6,097  |
| 3d Qtr .....         | 25,800              | 10,511    | 3,562      | 2,707             | 692        | 8,328  | 25,969                | 14,351    | 2,091      | 4,519             | 193        | 4,615  |
| 4th Qtr .....        | 27,933              | 12,443    | 3,962      | 2,934             | 1,573      | 7,021  | 26,397                | 10,209    | 2,029      | 4,901             | 588        | 8,670  |
| 1976 .....           | 114,997             | 51,298    | 17,607     | 12,552            | 3,935      | 29,605 | 129,565               | 60,387    | 9,738      | 24,995            | 1,572      | 32,873 |
| 1st Qtr .....        | 27,360              | 12,184    | 4,159      | 2,751             | 1,144      | 7,122  | 29,339                | 13,717    | 2,479      | 5,570             | 356        | 7,217  |
| 2d Qtr .....         | 29,695              | 13,383    | 4,527      | 3,113             | 1,036      | 7,636  | 31,650                | 15,247    | 2,491      | 5,582             | 333        | 7,997  |
| 3d Qtr .....         | 27,437              | 11,944    | 4,114      | 3,103             | 850        | 7,426  | 33,734                | 16,393    | 2,401      | 7,156             | 423        | 7,061  |
| 4th Qtr .....        | 30,505              | 13,787    | 4,807      | 3,585             | 905        | 7,421  | 34,842                | 14,730    | 2,367      | 6,687             | 460        | 10,598 |
| 1977 .....           |                     |           |            |                   |            |        |                       |           |            |                   |            |        |
| 1st Qtr .....        | 29,458              | 13,681    | 4,602      | 2,936             | 951        | 7,288  | 37,361                | 16,070    | 2,745      | 8,972             | 397        | 9,177  |
| Apr .....            | 10,548              | 4,686     | 1,613      | 1,080             | 352        | 2,817  | 13,249                | 5,714     | 873        | 3,280             | 152        | 3,230  |
| <b>JAPAN</b>         |                     |           |            |                   |            |        |                       |           |            |                   |            |        |
| 1974 .....           | 54,480              | 19,101    | 7,477      | 5,446             | 3,915      | 18,541 | 62,046                | 18,780    | 7,303      | 19,965            | 3,119      | 12,879 |
| 1975 .....           | 54,822              | 16,567    | 6,091      | 8,406             | 5,283      | 18,475 | 57,856                | 16,929    | 6,084      | 19,427            | 3,383      | 12,033 |
| 1st Qtr .....        | 13,064              | 4,013     | 1,394      | 1,891             | 1,447      | 4,319  | 14,545                | 4,142     | 1,431      | 4,637             | 797        | 3,238  |
| 2d Qtr .....         | 13,404              | 3,897     | 1,362      | 2,072             | 1,353      | 4,720  | 14,272                | 4,356     | 1,417      | 4,892             | 895        | 2,712  |
| 3d Qtr .....         | 13,454              | 3,945     | 1,585      | 2,231             | 1,290      | 4,403  | 14,091                | 4,131     | 1,544      | 4,615             | 821        | 2,980  |
| 4th Qtr .....        | 14,900              | 4,712     | 1,750      | 2,212             | 1,193      | 5,033  | 14,948                | 4,000     | 1,692      | 5,284             | 870        | 3,102  |
| 1976 .....           | 67,364              | 22,406    | 8,588      | 9,277             | 5,049      | 22,044 | 64,895                | 17,334    | 7,778      | 21,877            | 2,926      | 14,780 |
| 1st Qtr .....        | 14,429              | 4,848     | 1,827      | 1,872             | 1,289      | 4,593  | 14,832                | 4,083     | 1,696      | 5,213             | 671        | 3,169  |
| 2d Qtr .....         | 16,431              | 5,402     | 2,092      | 2,271             | 1,348      | 5,318  | 15,903                | 4,347     | 1,943      | 5,400             | 677        | 3,536  |
| 3d Qtr .....         | 17,542              | 5,897     | 2,272      | 2,476             | 1,135      | 5,762  | 16,818                | 4,497     | 2,137      | 5,406             | 747        | 4,031  |
| 4th Qtr .....        | 18,962              | 6,259     | 2,397      | 2,659             | 1,277      | 6,370  | 17,342                | 4,607     | 2,002      | 5,858             | 831        | 4,044  |
| 1977 .....           |                     |           |            |                   |            |        |                       |           |            |                   |            |        |
| 1st Qtr .....        | 17,911              | 5,848     | 2,449      | 2,461             | 1,409      | 5,744  | 17,452                | 4,717     | 1,845      | 6,246             | 801        | 3,843  |
| <b>WEST GERMANY</b>  |                     |           |            |                   |            |        |                       |           |            |                   |            |        |
| 1974 .....           | 89,188              | 30,998    | 37,605     | 4,268             | 6,884      | 9,433  | 68,962                | 23,762    | 26,079     | 8,406             | 3,209      | 7,506  |
| 1975 .....           | 90,063              | 28,331    | 36,407     | 6,777             | 9,029      | 9,519  | 74,986                | 27,085    | 27,755     | 8,228             | 4,167      | 7,751  |
| 1st Qtr .....        | 22,518              | 7,052     | 9,368      | 1,490             | 1,683      | 2,925  | 18,034                | 6,439     | 6,856      | 1,890             | 807        | 2,042  |
| 2d Qtr .....         | 23,637              | 7,280     | 9,580      | 1,701             | 1,895      | 3,181  | 19,779                | 7,287     | 7,293      | 2,091             | 1,121      | 1,987  |
| 3d Qtr .....         | 20,776              | 6,389     | 8,290      | 1,814             | 3,136      | 1,147  | 17,563                | 6,371     | 6,390      | 1,956             | 1,060      | 1,786  |
| 4th Qtr .....        | 23,132              | 7,610     | 9,169      | 1,772             | 2,315      | 2,266  | 19,610                | 6,988     | 7,216      | 2,291             | 1,179      | 1,936  |
| 1976 .....           | 101,989             | 33,372    | 41,720     | 8,231             | 8,575      | 10,091 | 88,230                | 31,008    | 31,351     | 9,718             | 5,050      | 11,103 |
| 1st Qtr .....        | 22,467              | 7,855     | 9,437      | 1,705             | 2,064      | 1,406  | 20,147                | 6,790     | 7,114      | 2,189             | 1,046      | 3,008  |
| 2d Qtr .....         | 24,570              | 8,147     | 10,019     | 1,832             | 1,771      | 2,801  | 21,571                | 7,478     | 7,778      | 2,222             | 1,127      | 2,966  |
| 3d Qtr .....         | 26,147              | 8,134     | 10,445     | 2,235             | 2,385      | 2,948  | 21,792                | 8,136     | 7,900      | 2,575             | 1,550      | 1,631  |
| 4th Qtr .....        | 28,805              | 9,236     | 11,819     | 2,459             | 2,355      | 2,936  | 24,720                | 8,604     | 8,559      | 2,731             | 1,327      | 3,499  |
| 1977 .....           |                     |           |            |                   |            |        |                       |           |            |                   |            |        |
| 1st Qtr .....        | 27,804              | 9,281     | 11,609     | 2,307             | 2,156      | 2,451  | 24,084                | 8,465     | 8,828      | 2,578             | 1,270      | 2,943  |
| <b>FRANCE</b>        |                     |           |            |                   |            |        |                       |           |            |                   |            |        |
| 1974 .....           | 46,388              | 19,345    | 15,245     | 3,164             | 1,874      | 6,760  | 52,820                | 22,040    | 13,874     | 8,848             | 1,547      | 6,511  |
| 1975 .....           | 53,005              | 19,959    | 15,183     | 4,952             | 3,094      | 9,817  | 54,238                | 23,040    | 14,350     | 9,448             | 1,591      | 5,809  |
| 1st Qtr .....        | 13,511              | 5,042     | 4,136      | 1,202             | 716        | 2,415  | 13,988                | 5,852     | 3,762      | 2,507             | 441        | 1,426  |
| 2d Qtr .....         | 14,496              | 5,415     | 4,229      | 1,378             | 824        | 2,650  | 14,027                | 6,012     | 3,759      | 2,307             | 177        | 1,772  |
| 3d Qtr .....         | 11,627              | 4,435     | 3,037      | 1,094             | 679        | 2,382  | 11,903                | 5,089     | 2,971      | 2,059             | 450        | 1,343  |
| 4th Qtr .....        | 13,371              | 5,067     | 3,781      | 1,278             | 875        | 2,370  | 14,320                | 6,087     | 3,858      | 2,584             | 523        | 1,268  |

Developed Countries: Direction of Trade <sup>1</sup>  
(Continued)

Million US \$

|                    | Exports to (f.o.b.) |           |            |                   |            |       | Imports from (c.i.f.) |           |            |                   |            |       |
|--------------------|---------------------|-----------|------------|-------------------|------------|-------|-----------------------|-----------|------------|-------------------|------------|-------|
|                    | World               | Big Seven | Other OECD | OPEC <sup>2</sup> | Com-munist | Other | World                 | Big Seven | Other OECD | OPEC <sup>2</sup> | Com-munist | Other |
| FRANCE (Continued) |                     |           |            |                   |            |       |                       |           |            |                   |            |       |
| 1976 .....         | 55,680              | 22,438    | 16,081     | 5,080             | 3,558      | 8,523 | 64,255                | 27,750    | 16,894     | 11,359            | 2,384      | 5,868 |
| 1st Qtr .....      | 13,639              | 5,524     | 3,921      | 1,240             | 917        | 2,037 | 15,529                | 6,567     | 4,157      | 2,817             | 595        | 1,393 |
| 2d Qtr .....       | 14,769              | 5,911     | 4,395      | 1,222             | 1,059      | 2,182 | 16,187                | 7,149     | 4,324      | 2,610             | 593        | 1,511 |
| 3d Qtr .....       | 12,409              | 4,922     | 3,446      | 1,292             | 729        | 2,020 | 14,840                | 6,431     | 3,733      | 2,746             | 577        | 1,352 |
| 4th Qtr .....      | 14,863              | 6,081     | 4,319      | 1,326             | 853        | 2,284 | 17,699                | 7,603     | 4,680      | 3,185             | 619        | 1,612 |
| UNITED KINGDOM     |                     |           |            |                   |            |       |                       |           |            |                   |            |       |
| 1974 .....         | 37,160              | 11,765    | 17,006     | 2,567             | 1,197      | 4,625 | 54,510                | 18,272    | 18,253     | 8,020             | 1,849      | 8,116 |
| 1975 .....         | 41,731              | 12,339    | 16,515     | 4,553             | 1,480      | 6,844 | 53,147                | 18,301    | 18,274     | 6,962             | 1,771      | 7,839 |
| 1st Qtr .....      | 10,454              | 3,107     | 4,266      | 962               | 306        | 1,813 | 13,877                | 4,930     | 4,551      | 1,960             | 387        | 2,049 |
| 2d Qtr .....       | 10,837              | 3,167     | 4,183      | 1,232             | 411        | 1,844 | 13,426                | 4,709     | 4,498      | 1,808             | 434        | 1,977 |
| 3d Qtr .....       | 9,592               | 2,744     | 3,696      | 1,179             | 338        | 1,635 | 12,699                | 4,281     | 4,526      | 1,579             | 442        | 1,871 |
| 4th Qtr .....      | 10,848              | 3,321     | 4,370      | 1,180             | 425        | 1,552 | 13,145                | 4,382     | 4,699      | 1,614             | 508        | 1,942 |
| 1976 .....         | 46,352              | 14,026    | 17,803     | 5,132             | 1,625      | 7,768 | 56,224                | 19,332    | 19,271     | 7,291             | 2,240      | 8,090 |
| 1st Qtr .....      | 11,615              | 3,409     | 4,414      | 1,238             | 433        | 2,121 | 13,639                | 4,357     | 4,975      | 1,825             | 510        | 1,972 |
| 2d Qtr .....       | 11,560              | 3,531     | 4,379      | 1,254             | 422        | 1,974 | 14,133                | 5,058     | 4,626      | 1,738             | 590        | 2,121 |
| 3d Qtr .....       | 11,089              | 3,437     | 4,186      | 1,265             | 389        | 1,812 | 13,861                | 4,746     | 4,573      | 1,891             | 597        | 2,054 |
| 4th Qtr .....      | 12,088              | 3,649     | 4,821      | 1,376             | 381        | 1,861 | 14,591                | 5,171     | 5,097      | 1,836             | 543        | 1,944 |
| 1977               |                     |           |            |                   |            |       |                       |           |            |                   |            |       |
| 1st Qtr .....      | 13,150              | 4,008     | 5,145      | 1,521             | 413        | 2,063 | 15,575                | 5,786     | 5,068      | 1,783             | 514        | 2,424 |
| Apr .....          | 4,427               | 1,264     | 1,754      | 531               | 152        | 726   | 5,064                 | 1,875     | 1,666      | 501               | 185        | 837   |
| ITALY              |                     |           |            |                   |            |       |                       |           |            |                   |            |       |
| 1974 .....         | 30,261              | 13,796    | 7,681      | 2,427             | 1,721      | 4,636 | 40,977                | 18,003    | 7,216      | 9,313             | 1,944      | 4,501 |
| 1975 .....         | 34,230              | 15,345    | 7,468      | 3,710             | 2,895      | 4,812 | 37,793                | 17,072    | 6,367      | 6,993             | 2,304      | 5,057 |
| 1st Qtr .....      | 8,070               | 3,525     | 1,873      | 823               | 545        | 1,304 | 9,016                 | 4,165     | 1,527      | 1,816             | 480        | 1,028 |
| 2d Qtr .....       | 8,621               | 3,742     | 1,921      | 938               | 863        | 1,157 | 9,350                 | 4,412     | 1,671      | 1,797             | 518        | 952   |
| 3d Qtr .....       | 8,123               | 3,689     | 1,823      | 950               | 725        | 936   | 8,614                 | 3,821     | 1,475      | 1,906             | 604        | 808   |
| 4th Qtr .....      | 9,416               | 4,389     | 1,851      | 845               | 762        | 1,569 | 10,813                | 4,674     | 1,694      | 2,293             | 702        | 1,450 |
| 1976 .....         | 35,364              | 16,698    | 8,276      | 4,165             | 2,591      | 3,634 | 41,789                | 18,585    | 7,759      | 8,124             | 3,000      | 4,321 |
| 1st Qtr .....      | 7,398               | 3,513     | 1,713      | 811               | 597        | 764   | 9,092                 | 4,063     | 1,708      | 1,816             | 608        | 897   |
| 2d Qtr .....       | 8,705               | 4,157     | 2,040      | 958               | 623        | 927   | 10,716                | 4,786     | 1,918      | 2,106             | 744        | 1,162 |
| 3d Qtr .....       | 9,398               | 4,505     | 2,191      | 1,056             | 656        | 990   | 10,335                | 4,497     | 1,860      | 2,029             | 792        | 1,157 |
| 4th Qtr .....      | 9,863               | 4,523     | 2,332      | 1,340             | 715        | 953   | 11,646                | 5,239     | 2,273      | 2,173             | 856        | 1,105 |
| CANADA             |                     |           |            |                   |            |       |                       |           |            |                   |            |       |
| 1974 .....         | 32,904              | 27,092    | 2,004      | 548               | 659        | 2,601 | 33,309                | 26,727    | 1,777      | 2,698             | 257        | 1,850 |
| 1975 .....         | 32,201              | 26,582    | 1,689      | 700               | 1,153      | 2,077 | 35,435                | 27,887    | 1,621      | 3,174             | 310        | 2,443 |
| 1st Qtr .....      | 7,535               | 6,350     | 430        | 160               | 133        | 462   | 8,576                 | 6,720     | 408        | 882               | 63         | 503   |
| 2d Qtr .....       | 8,570               | 6,918     | 513        | 234               | 320        | 585   | 9,429                 | 7,555     | 424        | 879               | 82         | 489   |
| 3d Qtr .....       | 7,712               | 6,450     | 382        | 142               | 182        | 556   | 8,341                 | 6,783     | 365        | 732               | 72         | 389   |
| 4th Qtr .....      | 8,384               | 6,864     | 364        | 164               | 518        | 474   | 9,089                 | 6,829     | 424        | 681               | 93         | 1,062 |
| 1976 .....         | 36,840              | 30,783    | 2,077      | 928               | 1,259      | 1,793 | 38,705                | 31,118    | 2,034      | 3,154             | 369        | 2,030 |
| 1st Qtr .....      | 8,422               | 7,103     | 381        | 167               | 328        | 443   | 9,404                 | 7,572     | 473        | 868               | 87         | 404   |
| 2d Qtr .....       | 9,964               | 8,408     | 480        | 184               | 346        | 546   | 10,244                | 8,174     | 683        | 930               | 96         | 361   |
| 3d Qtr .....       | 9,112               | 7,465     | 576        | 270               | 349        | 452   | 9,378                 | 7,417     | 473        | 715               | 96         | 677   |
| 4th Qtr .....      | 9,342               | 7,807     | 640        | 307               | 236        | 352   | 9,679                 | 7,955     | 405        | 642               | 90         | 587   |
| 1977               |                     |           |            |                   |            |       |                       |           |            |                   |            |       |
| 1st Qtr .....      | 9,670               | 8,201     | 524        | 247               | 231        | 467   | 10,025                | 8,164     | 406        | 771               | 90         | 594   |

<sup>1</sup> Data are unadjusted. Because of rounding, components may not add to the totals shown.<sup>2</sup> Including Gabon.

# FOREIGN TRADE BILLION US \$, f.o.b., seasonally adjusted

## United States

Semilogarithmic Scale



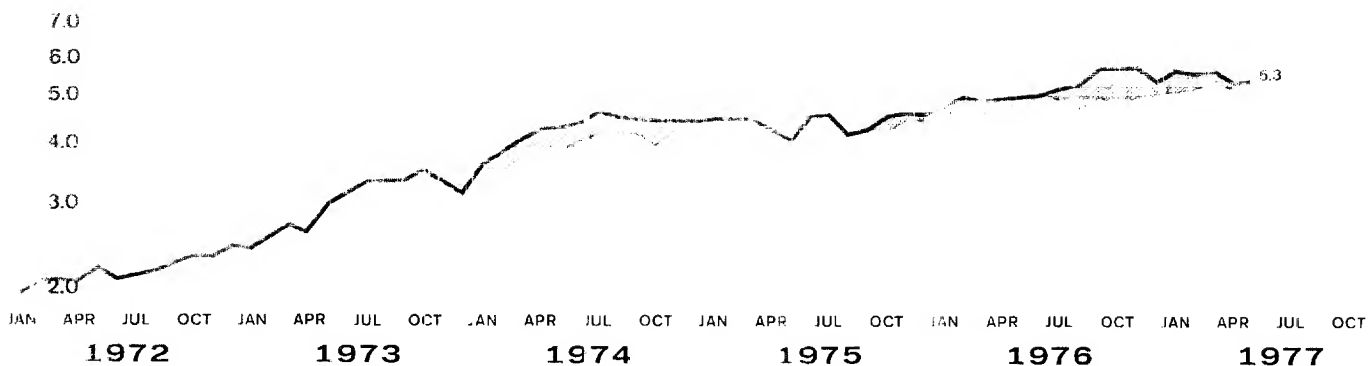
## Japan



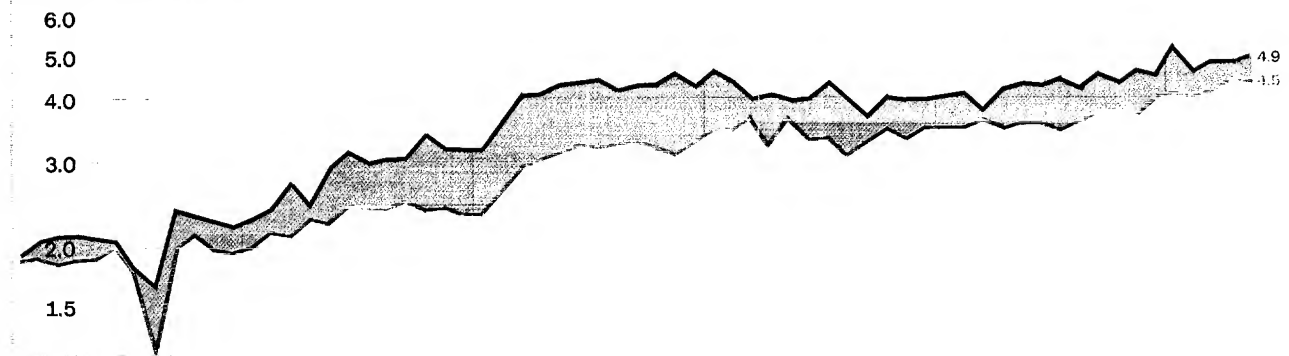
## West Germany



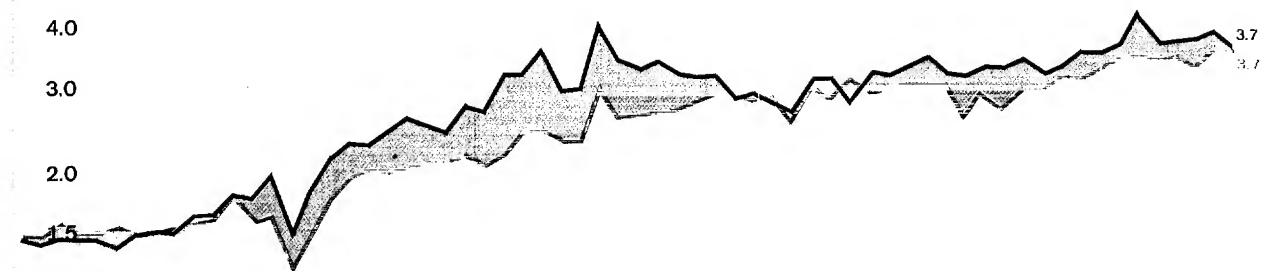
## France



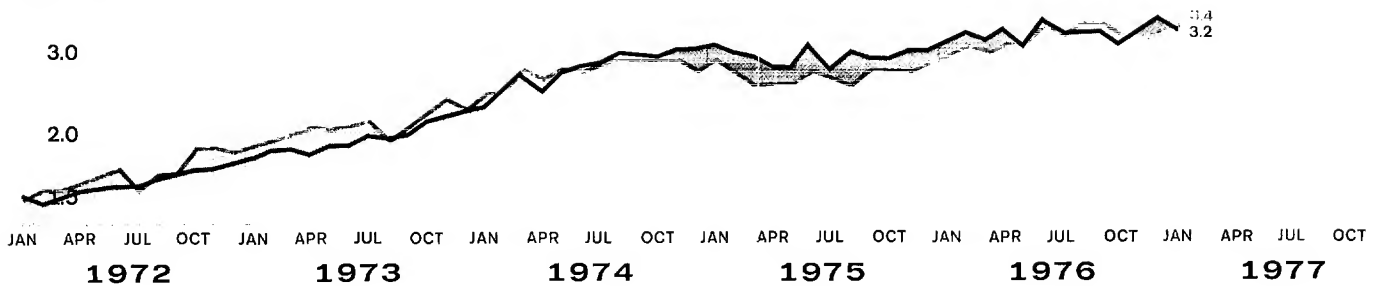
### United Kingdom



### Italy



### Canada



|               | LATEST MONTH | MILLION US \$   | CUMULATIVE (MILLION US \$) |                  |                |                | LATEST MONTH | MILLION US \$  | CUMULATIVE (MILLION US \$) |                  |                |
|---------------|--------------|-----------------|----------------------------|------------------|----------------|----------------|--------------|----------------|----------------------------|------------------|----------------|
|               |              |                 | 1977                       | 1976             | CHANGE         |                |              |                | 1977                       | 1976             | CHANGE         |
| United States | APR 77       | 9,970<br>12,593 | 39,448<br>47,995           | 36,405<br>37,146 | 8.4%<br>29.2%  | United Kingdom | MAY 77       | 4,445<br>4,915 | 21,722<br>24,021           | 18,021<br>20,237 | 20.5%<br>18.7% |
|               | Balance      | -2,623          | -8,546                     | -741             | -7,805         |                | Balance      | 419            | 2,299                      | 2,216            | 83             |
| Japan         | MAY 77       | 6,231<br>5,135  | 32,360<br>25,290           | 26,243<br>21,680 | 23.3%<br>16.7% | Italy          | APR 77       | 3,595<br>3,736 | 14,111<br>14,831           | 11,188<br>12,638 | 25.1%<br>17.4% |
|               | Balance      | 1,096           | 7,069                      | 4,563            | 2,507          |                | Balance      | -51            | -721                       | -1,450           | 730            |
| West Germany  | APR 77       | 9,460<br>7,647  | 37,390<br>31,097           | 31,597<br>26,069 | 18.3%<br>19.3% | Canada         | JAN 77       | 3,410<br>3,230 | 3,410<br>3,230             | 3,001<br>3,034   | 13.6%<br>6.5%  |
|               | Balance      | 1,813           | 6,292                      | 5,528            | 764            |                | Balance      | 179            | 179                        | -33              | 212            |
| France        | MAY 77       | 5,170<br>5,271  | 25,812<br>27,022           | 23,189<br>23,867 | 11.3%<br>13.2% |                |              |                |                            |                  |                |
|               | Balance      | -101            | -1,211                     | 677              | -533           |                |              |                |                            |                  |                |

573374 6-77

## FOREIGN TRADE PRICES IN US \$<sup>1</sup>

United States

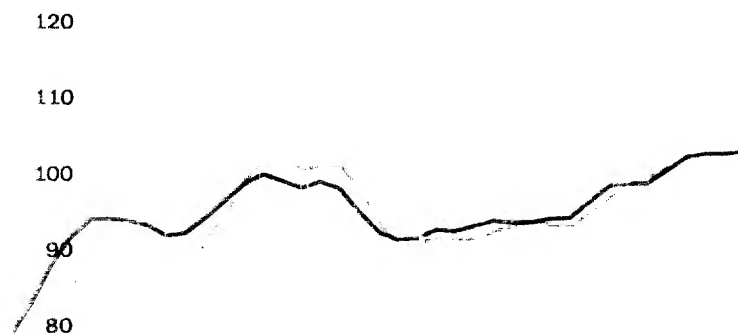
INDEX: JAN 1975 = 100



Japan

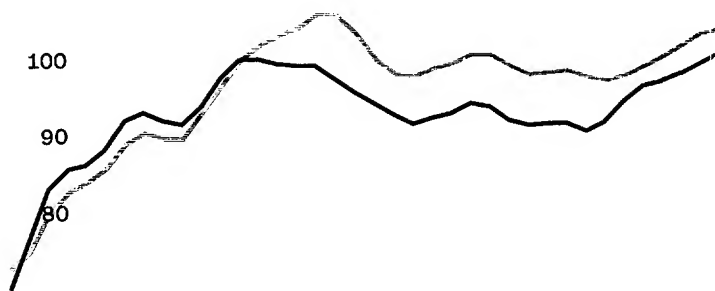


West Germany

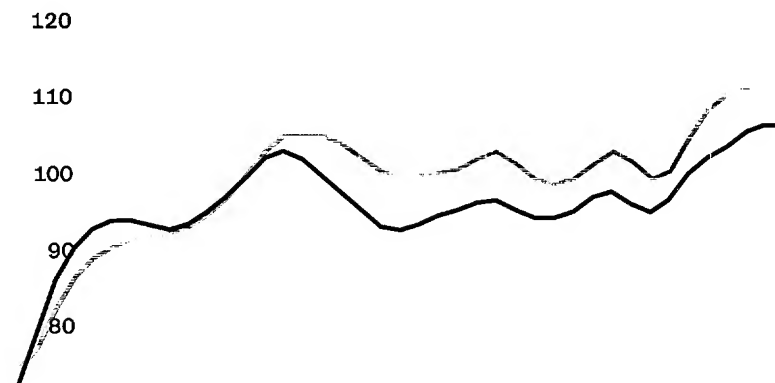


JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT

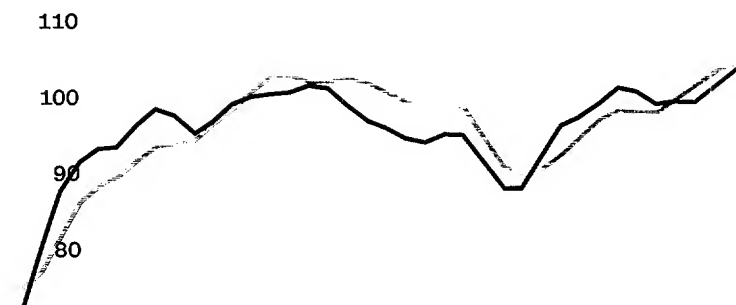
### France



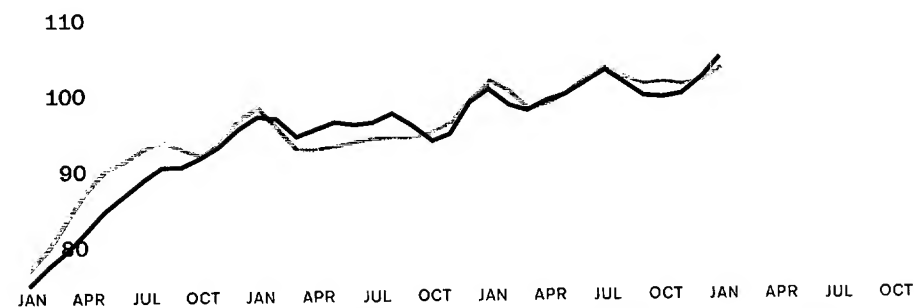
### United Kingdom



### Italy



### Canada





## SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION <sup>1</sup>

|             | Latest<br>Period | Percent Change<br>from Previous<br>Period | Average<br>Annual Growth Rate Since |                   |                                  |
|-------------|------------------|-------------------------------------------|-------------------------------------|-------------------|----------------------------------|
|             |                  |                                           | Percent Change                      |                   |                                  |
|             |                  |                                           | 1970                                | 1 Year<br>Earlier | 3 Months<br>Earlier <sup>2</sup> |
| Brazil      | 76 II            | 0.1                                       | 11.0                                | 10.7              | 0.4                              |
| India       | Oct 76           | 0.2                                       | 4.2                                 | 6.7               | -12.6                            |
| South Korea | Apr 77           | 3.5                                       | 21.8                                | 11.8              | 1.0                              |
| Mexico      | Feb 77           | 3.2                                       | 5.2                                 | -1.5              | -7.4                             |
| Nigeria     | 76 II            | 2.4                                       | 18.7                                | 60.3              | 9.8                              |
| Taiwan      | Apr 77           | -0.3                                      | 14.6                                | 10.3              | -11.0                            |

<sup>1</sup> Seasonally adjusted.<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.MONEY SUPPLY <sup>1</sup>

|             | Latest<br>Month | Percent Change<br>from Previous<br>Month | Average<br>Annual Growth Rate Since |                   |                                  |
|-------------|-----------------|------------------------------------------|-------------------------------------|-------------------|----------------------------------|
|             |                 |                                          | Percent Change                      |                   |                                  |
|             |                 |                                          | 1970                                | 1 Year<br>Earlier | 3 Months<br>Earlier <sup>2</sup> |
| Brazil      | Jan 77          | -3.1                                     | 35.5                                | 28.2              | 49.6                             |
| Egypt       | Feb 77          | 5.1                                      | 18.3                                | 22.7              | 22.3                             |
| India       | Jan 77          | 1.2                                      | 12.2                                | 18.3              | 19.9                             |
| Iran        | Feb 77          | 0.9                                      | 28.2                                | 35.2              | 11.0                             |
| South Korea | Mar 77          | 3.0                                      | 30.7                                | 32.4              | 41.5                             |
| Mexico      | Jun 76          | -0.3                                     | 17.0                                | 16.6              | 19.6                             |
| Nigeria     | Dec 76          | 5.2                                      | 35.0                                | 49.5              | 43.3                             |
| Taiwan      | Jan 77          | -6.2                                     | 22.6                                | 5.7               | 13.0                             |
| Thailand    | Jan 77          | -0.4                                     | 13.1                                | 11.0              | 9.4                              |

<sup>1</sup> Seasonally adjusted.<sup>2</sup> Average for latest 3 months compared with average for previous 3 months.

## CONSUMER PRICES

|             | Latest<br>Month | Percent Change<br>from Previous<br>Month | Average<br>Annual Growth Rate Since |                   |
|-------------|-----------------|------------------------------------------|-------------------------------------|-------------------|
|             |                 |                                          | Percent Change                      |                   |
|             |                 |                                          | 1970                                | 1 Year<br>Earlier |
| Brazil      | Apr 77          | 3.3                                      | 26.6                                | 44.4              |
| India       | Jan 77          | 0.3                                      | 8.1                                 | 3.0               |
| Iran        | Feb 77          | 2.6                                      | 11.3                                | 26.2              |
| South Korea | Apr 77          | 0.1                                      | 14.6                                | 9.6               |
| Mexico      | May 77          | 0.9                                      | 14.7                                | 31.4              |
| Nigeria     | Jan 77          | 4.5                                      | 15.0                                | 13.5              |
| Taiwan      | Apr 77          | 0.8                                      | 10.4                                | 2.0               |
| Thailand    | Jan 77          | 0.6                                      | 8.3                                 | 3.6               |

## WHOLESALE PRICES

|             | Latest<br>Month | Percent Change<br>from Previous<br>Month | Average<br>Annual Growth Rate Since |                   |
|-------------|-----------------|------------------------------------------|-------------------------------------|-------------------|
|             |                 |                                          | Percent Change                      |                   |
|             |                 |                                          | 1970                                | 1 Year<br>Earlier |
| Brazil      | Apr 77          | 4.3                                      | 27.3                                | 45.9              |
| India       | Jan 77          | 0.5                                      | 9.2                                 | 7.2               |
| Iran        | Feb 77          | 3.3                                      | 10.8                                | 24.1              |
| South Korea | Apr 77          | 0.3                                      | 16.8                                | 9.9               |
| Mexico      | May 77          | 2.2                                      | 16.6                                | 50.8              |
| Taiwan      | Apr 77          | 0.8                                      | 9.3                                 | 4.7               |
| Thailand    | Jan 77          | 0.7                                      | 9.9                                 | -0.2              |

## EXPORT PRICES

US \$

|             | Latest<br>Period | Percent Change<br>from Previous<br>Period | Average<br>Annual Growth Rate Since |                   |
|-------------|------------------|-------------------------------------------|-------------------------------------|-------------------|
|             |                  |                                           | Percent Change                      |                   |
|             |                  |                                           | 1970                                | 1 Year<br>Earlier |
| Brazil      | Oct 76           | -0.4                                      | 14.5                                | 26.5              |
| India       | Jun 76           | 4.8                                       | 9.9                                 | -5.9              |
| Iran        | Mar 77           | 0                                         | 37.6                                | 18.7              |
| South Korea | 76 IV            | 2.4                                       | 8.9                                 | 15.0              |
| Nigeria     | May 76           | -0.1                                      | 33.2                                | 8.2               |
| Taiwan      | Jan 77           | 0.9                                       | 12.2                                | 6.5               |
| Thailand    | Oct 76           | 12.0                                      | 13.1                                | 6.3               |

## OFFICIAL RESERVES

Million US \$

|             | Latest Month | End of | Million US \$ | Average                  |                     |
|-------------|--------------|--------|---------------|--------------------------|---------------------|
|             |              |        |               | Annual Growth Rate Since |                     |
|             |              |        |               | 1 Year<br>Earlier        | 3 Months<br>Earlier |
| Brazil      | Feb 77       |        | 5,873         | 1,013                    | 3,667               |
| Egypt       | Feb 77       |        | 377           | 155                      | 285                 |
| India       | Feb 77       |        | 3,481         | 1,006                    | 1,837               |
| Iran        | Apr 77       |        | 10,548        | 208                      | 7,951               |
| South Korea | Mar 77       |        | 3,212         | 602                      | 1,702               |
| Mexico      | Mar 76       |        | 1,501         | 695                      | 1,479               |
| Nigeria     | Apr 77       |        | 4,784         | 148                      | 6,165               |
| Taiwan      | Feb 77       |        | 1,414         | 531                      | 1,097               |
| Thailand    | Apr 77       |        | 2,005         | 978                      | 1,924               |

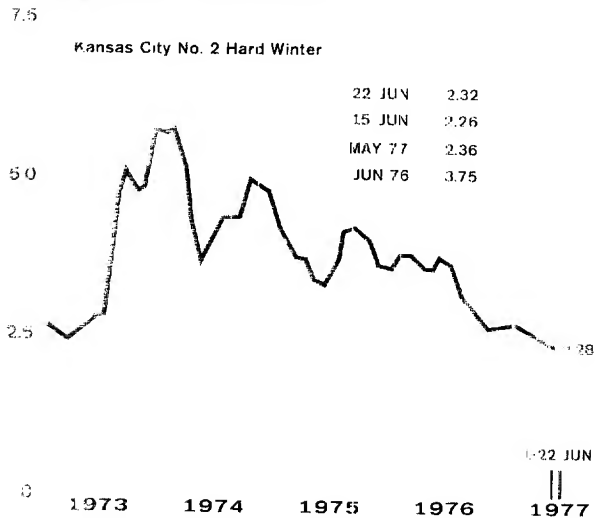
# FOREIGN TRADE, f.o.b.

|               |                      |         | Latest 3 Months<br>Percent Change from |        | Cumulative (Million US \$) |        |        |
|---------------|----------------------|---------|----------------------------------------|--------|----------------------------|--------|--------|
|               |                      |         | 3 Months                               | 1 Year | 1976                       | 1975   | Change |
| Latest Period | Earlier <sup>1</sup> | Earlier | 1976                                   | 1975   |                            |        |        |
| Brazil        | Apr 77               | Exports | -1.2                                   | 38.6   | 10,136                     | 8,655  | 17.1%  |
|               | Apr 77               | Imports | -11.5                                  | -1.1   | 12,291                     | 12,169 | 1.0%   |
|               | Apr 77               | Balance |                                        |        | -2,155                     | -3,514 | 1,359  |
| Egypt         | 76 IV                | Exports | -97.9                                  | -47.8  | 1,354                      | 1,546  | -12.4% |
|               | 76 IV                | Imports | -93.5                                  | -54.7  | 2,501                      | 3,731  | -33.0% |
|               | 76 IV                | Balance |                                        |        | -1,147                     | -2,186 | 1,039  |
| India         | Dec 76               | Exports | -6.3                                   | 17.3   | 5,036                      | 4,299  | 17.1%  |
|               | Dec 76               | Imports | 15.9                                   | -13.4  | 4,498                      | 5,477  | -17.9% |
|               | Dec 76               | Balance |                                        |        | 538                        | -1,178 | 1,716  |
| Iran          | Mar 77               | Exports | -12.6                                  | 22.8   | 23,460                     | 19,906 | 17.9%  |
|               | Nov 76               | Imports | -37.0                                  | 9.8    | 11,292                     | 8,369  | 34.9%  |
|               | Nov 76               | Balance |                                        |        | 9,978                      | 9,974  | 4      |
| South Korea   | Jan 77               | Exports | 16.1                                   | 40.5   | 7,715                      | 4,945  | 56.0%  |
|               | Jan 77               | Imports | 22.2                                   | 17.6   | 7,940                      | 6,583  | 20.6%  |
|               | Jan 77               | Balance |                                        |        | -224                       | -1,638 | 1,414  |
| Mexico        | Apr 77               | Exports | 71.9                                   | 45.1   | 3,298                      | 2,859  | 15.4%  |
|               | Apr 77               | Imports | -33.8                                  | -17.6  | 5,770                      | 6,327  | -8.8%  |
|               | Apr 77               | Balance |                                        |        | -2,472                     | -3,469 | 997    |
| Nigeria       | Mar 77               | Exports | 44.9                                   | 23.0   | 10,527                     | 8,885  | 18.5%  |
|               | Aug 76               | Imports | -16.3                                  | 15.1   | 4,283                      | 3,095  | 38.4%  |
|               | Aug 76               | Balance |                                        |        | 2,419                      | 1,907  | 513    |
| Taiwan        | Apr 77               | Exports | -43.8                                  | 3.0    | 8,061                      | 5,309  | 51.8%  |
|               | Apr 77               | Imports | -27.0                                  | 5.3    | 7,032                      | 5,506  | 27.7%  |
|               | Apr 77               | Balance |                                        |        | 1,029                      | -197   | 1,226  |
| Thailand      | Dec 76               | Exports | 70.1                                   | 50.0   | 2,985                      | 2,208  | 35.2%  |
|               | Jan 77               | Imports | 41.9                                   | 24.2   | 3,923                      | 3,276  | 19.8%  |
|               | Dec 76               | Balance |                                        |        | -277                       | -773   | 496    |

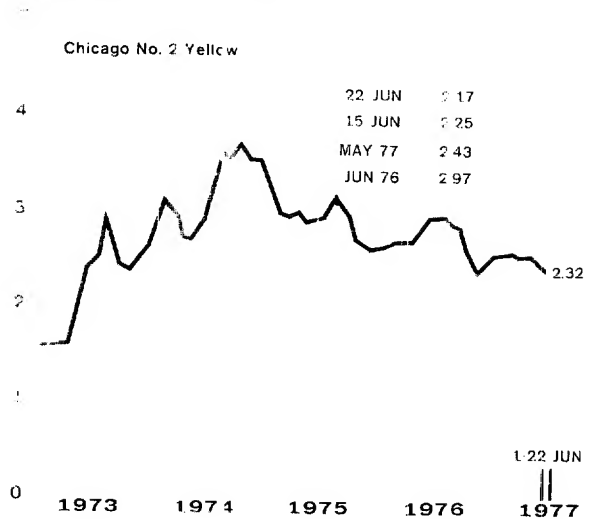
<sup>1</sup> At annual rates.

# **AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE**

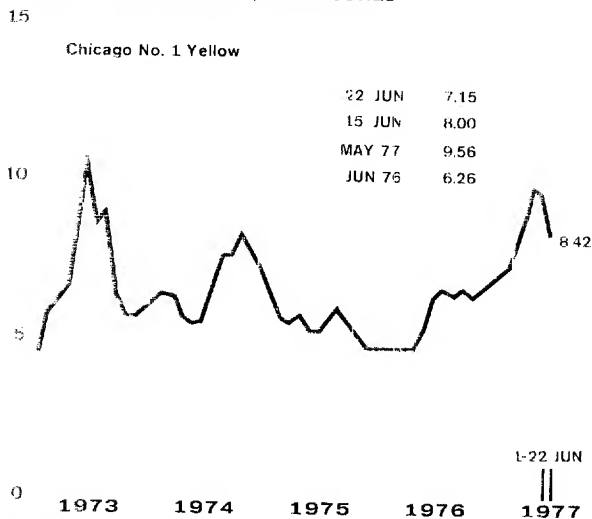
## **WHEAT \$ PER BUSHEL**



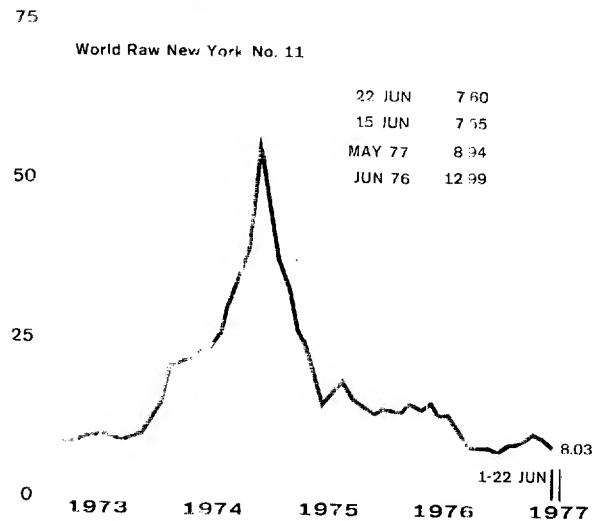
## **CORN \$ PER BUSHEL**



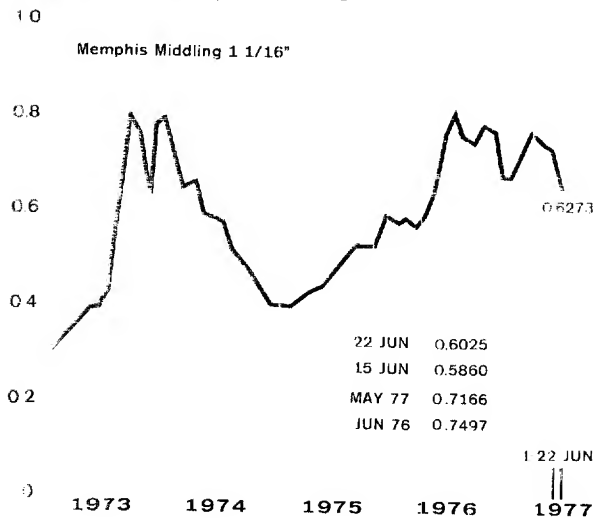
## **SOYBEANS \$ PER BUSHEL**



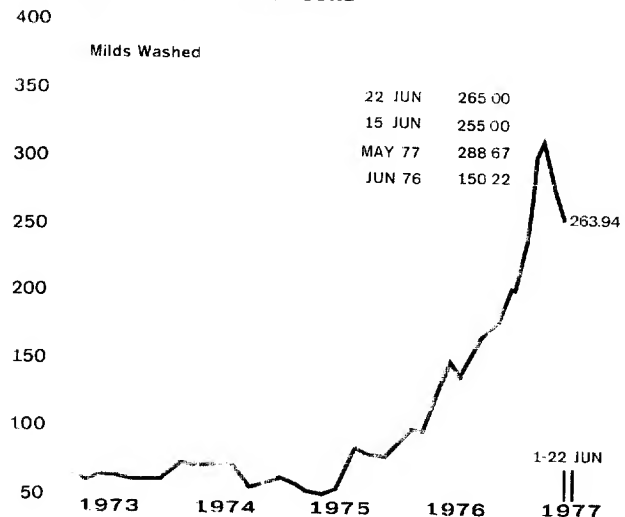
## **SUGAR C PER POUND**



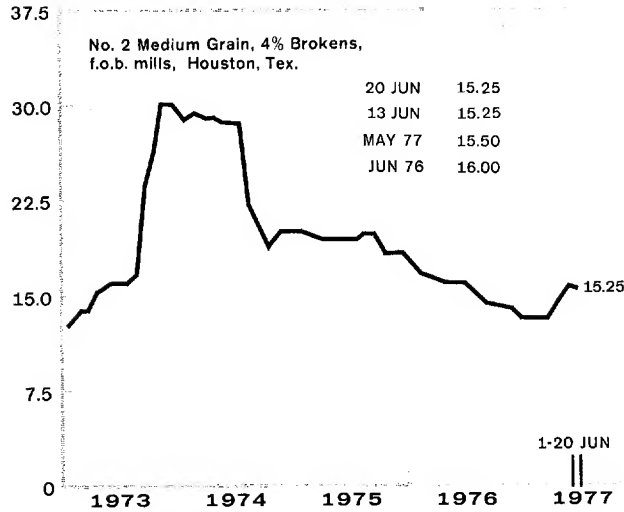
## **COTTON \$ PER POUND**



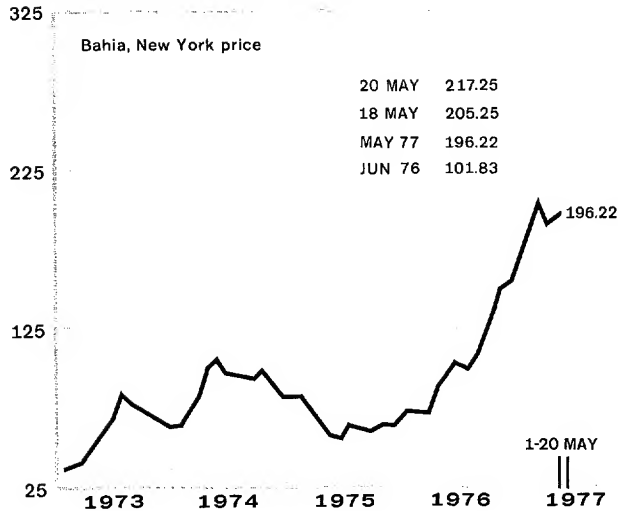
## **COFFEE C PER POUND**



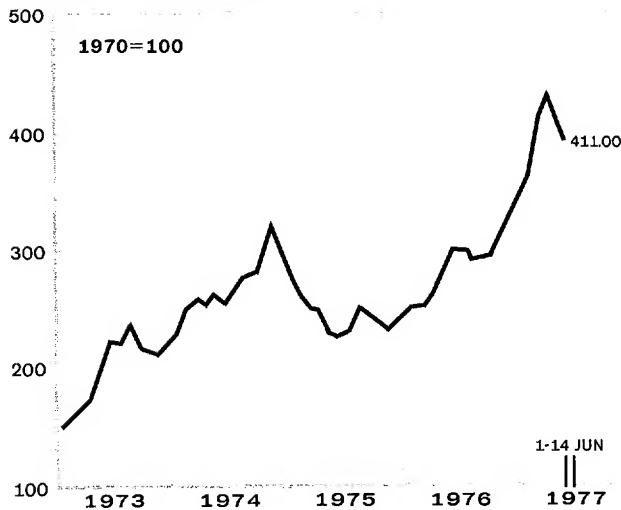
### RICE \$ PER HUNDRED WEIGHT



### COCOA ¢ PER POUND



### FOOD INDEX

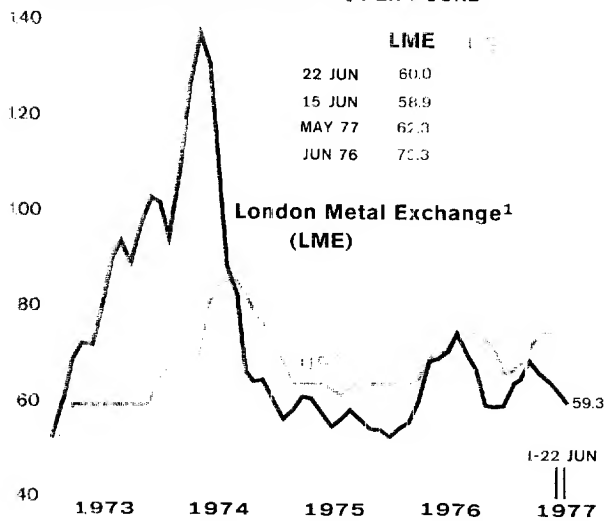


NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

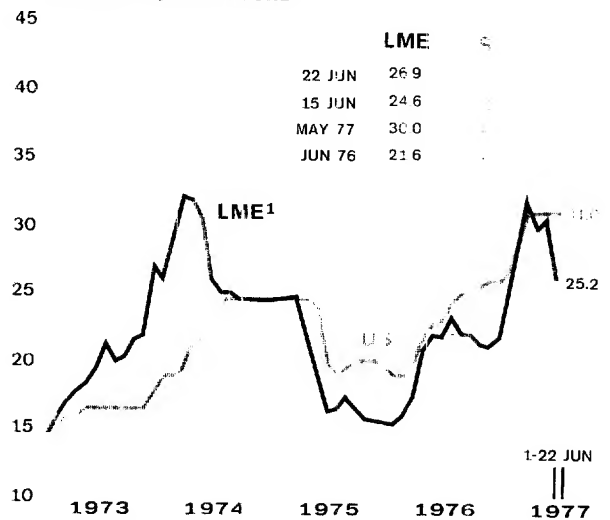
573376 6-77

# **INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE**

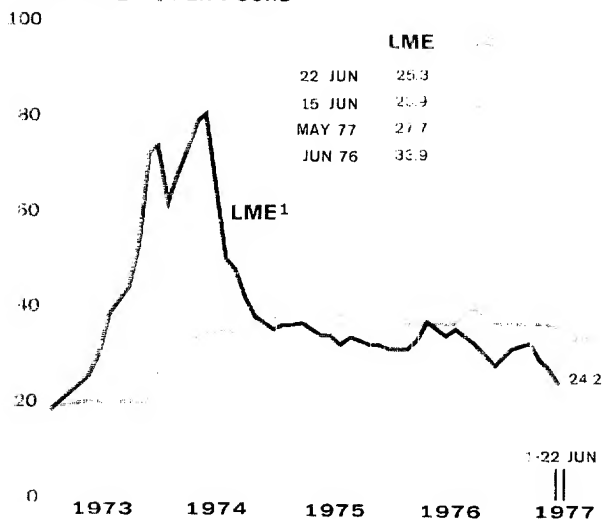
**COPPER WIRE BAR ¢ PER POUND**



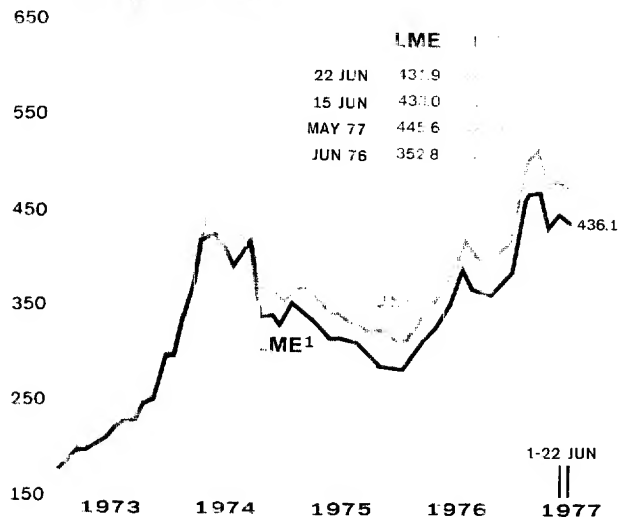
**LEAD ¢ PER POUND**



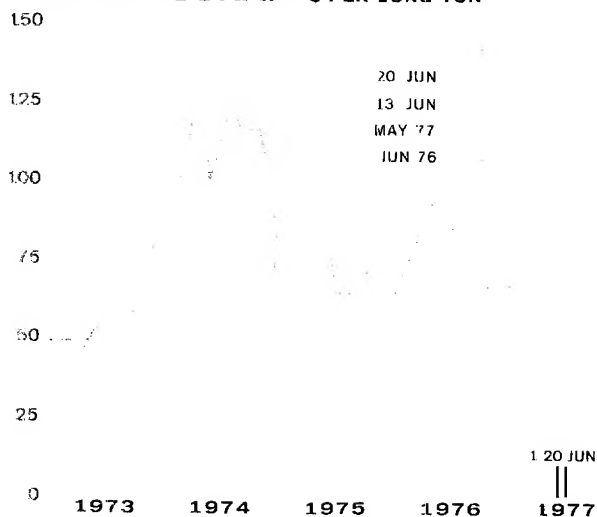
**ZINC ¢ PER POUND**



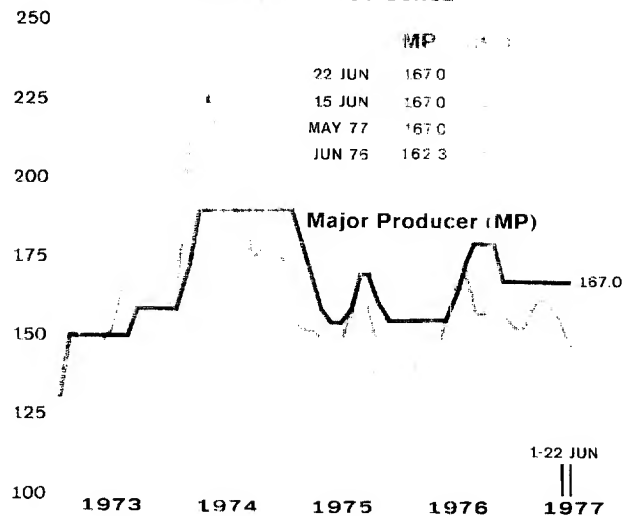
**TIN ¢ PER POUND**



**STEEL SCRAP \$ PER LONG TON**

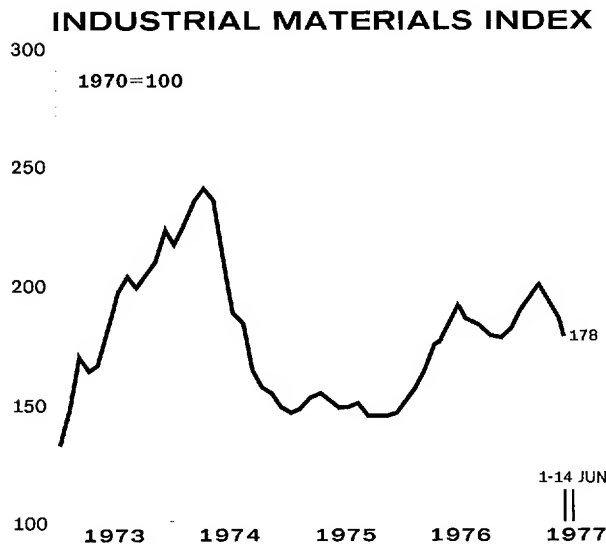
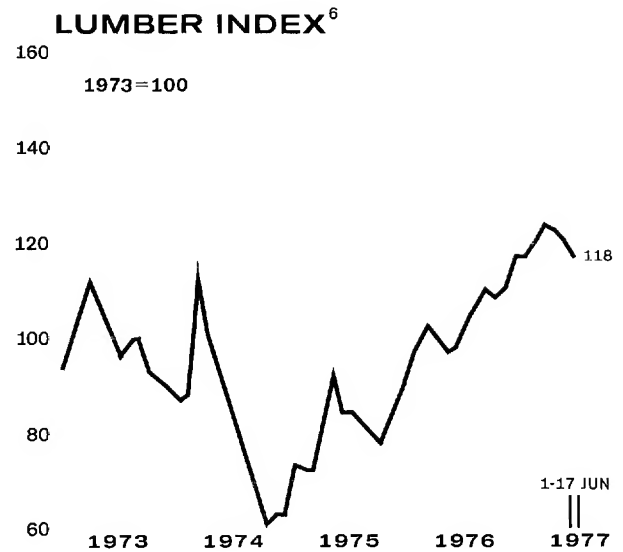
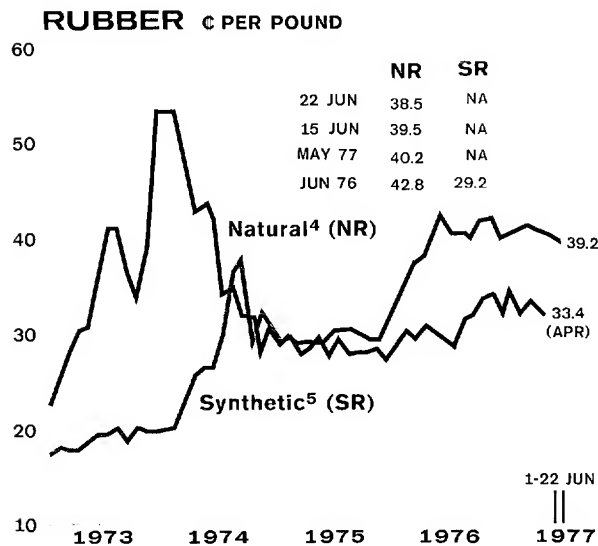


**PLATINUM \$ PER TROY OUNCE**



## SELECTED MATERIALS

|               |                               |                       | CURRENT   | DEC 76   | JUN 76   | JUN 75   |
|---------------|-------------------------------|-----------------------|-----------|----------|----------|----------|
| ALUMINUM      | Major US Producer             | ¢ per pound           | 51.00     | 48.00    | 44.00    | 39.00    |
| US STEEL      | Composite                     | \$ per long ton       | 339.27    | 333.78   | 316.36   | 289.23   |
| IRON ORE      | Non-Bessemer Old Range        | \$ per long ton       | 21.43     | 20.51    | 19.50    | 17.53    |
| CHROME ORE    | Russian, Metallurgical Grade  | \$ per metric ton     | 150.00    | 150.00   | 150.00   | 135.00   |
| CHROME ORE    | S. Africa, Chemical Grade     | \$ per long ton       | 58.50     | 42.00    | 39.00    | 35.05    |
| FERROCHROME   | US Producer, 66-70 Percent    | ¢ per pound           | 43.00     | 43.00    | 45.00    | 53.50    |
| NICKEL        | Major US Producer Cathode     | \$ per pound          | 2.41      | 2.41     | 2.20     | 2.01     |
| MANGANESE ORE | 48 Percent Mn                 | \$ per long ton       | 72.00     | 72.00    | 72.00    | 67.20    |
| TUNGSTEN ORE  | 65 Percent WO <sub>3</sub>    | \$ per short ton      | 10,687.62 | 8,581.80 | 6,525.25 | 5,262.84 |
| MERCURY       | NY                            | \$ per 76 pound flask | 120.00    | 134.50   | 110.00   | 155.19   |
| SILVER        | LME Cash                      | £ per troy ounce      | 439.29    | 434.62   | 478.82   | 449.19   |
| GOLD          | London Afternoon Fixing Price | \$ per troy ounce     | 138.60    | 133.79   | 125.71   | 164.15   |



<sup>1</sup>Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

<sup>2</sup>Producers' price, covers most primary metals sold in the US.

<sup>3</sup>As of 1 Dec 75, US tin price quoted is "Tin NY lb composite."

<sup>4</sup>Quoted on New York market.

<sup>5</sup>S-type styrene, US export price.

<sup>6</sup>This index is compiled by using the average of 13 types of lumber whose prices are regarded as "bell wethers" of US lumber construction costs.

<sup>7</sup>Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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|                                                                                                                                        |                      |  |              |              |         |                |             |        |  |
|----------------------------------------------------------------------------------------------------------------------------------------|----------------------|--|--------------|--------------|---------|----------------|-------------|--------|--|
| UNCLASSIFIED                                                                                                                           |                      |  |              | CONFIDENTIAL |         | X              |             | SECRET |  |
| OFFICIAL ROUTING SLIP                                                                                                                  |                      |  |              |              |         |                |             |        |  |
| TO                                                                                                                                     | NAME AND ADDRESS     |  |              |              | DATE    |                | INITIALS    |        |  |
| 1.                                                                                                                                     | DCh/D/U - [REDACTED] |  |              |              | 6/30    |                | (22)        |        |  |
| 1.                                                                                                                                     | C/CH [REDACTED]      |  |              |              | 30 June |                | 71/2        |        |  |
| 2.                                                                                                                                     | D/SA [REDACTED]      |  |              |              | 30 June |                | del         |        |  |
| 3.                                                                                                                                     | D/C - [REDACTED]     |  |              |              |         |                |             |        |  |
| 4.                                                                                                                                     | DCh/D/U - [REDACTED] |  |              |              | 30 June |                | DPP         |        |  |
| 5.                                                                                                                                     | SA/ER - [REDACTED]   |  |              |              | 30 June |                | [Signature] |        |  |
| 6.                                                                                                                                     | PPG/R&D [REDACTED]   |  |              |              |         |                |             |        |  |
| ACTION                                                                                                                                 |                      |  | DIRECT REPLY |              |         | PREPARE REPLY  |             |        |  |
| APPROVAL                                                                                                                               |                      |  | DISPATCH     |              |         | RECOMMENDATION |             |        |  |
| COMMENT                                                                                                                                |                      |  | FILE         |              |         | RETURN         |             |        |  |
| CONCURRENCE                                                                                                                            |                      |  | INFORMATION  |              |         | SIGNATURE      |             |        |  |
| Remarks:                                                                                                                               |                      |  |              |              |         |                |             |        |  |
| Please annotate each paragraph as follows:                                                                                             |                      |  |              |              |         |                |             |        |  |
| 1. Classification (including unclass.).                                                                                                |                      |  |              |              |         |                |             |        |  |
| 2. If possible, underline classified material and indicate in the margin the reason for classification (i.e., source, analysis, etc.). |                      |  |              |              |         |                |             |        |  |
| PLEASE SUBMIT SOURCE RATING FORMS TO ELAINE St/P, Room 4F38 IMMEDIATELY.                                                               |                      |  |              |              |         |                |             |        |  |
| FOLD HERE TO RETURN TO SENDER                                                                                                          |                      |  |              |              |         |                |             |        |  |
| FROM: NAME, ADDRESS AND PHONE NO.                                                                                                      |                      |  |              |              |         |                | DATE        |        |  |
| PPG/R&D [REDACTED]                                                                                                                     |                      |  |              |              |         |                | 30 Jun 77   |        |  |
| UNCLASSIFIED                                                                                                                           |                      |  |              | CONFIDENTIAL |         | X              |             | SECRET |  |

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INDEX DISSEM BY: 41

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#

EIW - 30 June 77

TO:

FROM: CHIEF, OER, INFO E/INTEL, EA/PIA, DDI/CS, PPG/R&D.4

SUBJECT: OER'S EIW ARTICLES RELEASABLE

LIAISON.4

ITEMS RELEASED

FROM OER'S ECONOMIC INTELLIGENCE WEEKLY ENDING 30 JUNE 1977

- {1} USSR: ECONOMIC PROSPECTS ARE POOR {CONFIDENTIAL}.
- {2} THE PHILIPPINES: BALANCE-OF-PAYMENTS OUTLOOK {CONFIDENTIAL} AND
- {3} SOUTH KOREA: IMPROVED FOREIGN FINANCIAL POSITION {UNCLASSIFIED}.

E2, IMPDET.4

ORIG & AUTH: DDI/ASA/D/OER

REL: DDI/CS,

DATE: 30 JUNE 1977

ORIG:

INIT:

XT:

ASA/D/OER

R 9002

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*EIW - 30 June 77*

TO: [REDACTED]

FROM: CHIEF, OER, INFO DDI/CS, [REDACTED]

SUBJECT: COMMENTS ON EIW ARTICLE, "SOUTH KOREA: IMPROVED FOREIGN FINANCIAL POSITION."4

REFERENCE: [REDACTED]

1. OER APPRECIATES THE FAVORABLE COMMENTS [REDACTED]

[REDACTED] IN REFERENCE CONCERNING EIW ARTICLE ON SOUTH KOREA. [REDACTED] WAS OF GREAT USE IN PREPARING THE ARTICLE.4

2. CONCERNING THE QUESTION RAISED IN PARAGRAPH TWO, "THE \$700 MILLION GAP" REFERS TO SOUTH KOREA'S FINANCIAL GAP DEFINED AS THE CURRENT ACCOUNT BALANCE PLUS AMORTIZATION OF MEDIUM- AND LONG-TERM DEBT. EVEN THOUGH SOUTH KOREA SHOULD SHOW A SURPLUS IN ITS CURRENT ACCOUNT BALANCE IN 1977, PROJECTED DEBT AMORTIZATION PAYMENTS OF \$784 MILLION WILL RESULT IN A FINANCIAL GAP OF ABOUT \$700 MILLION.4

3. THE TEN PERCENT UNEMPLOYMENT FIGURE CITED IN PARAGRAPH THREE IS AN ESTIMATE OF THE "URBAN" UNEMPLOYMENT RATE. THE ESTIMATE

DATE: 2 AUGUST 1977

ORIG: [REDACTED]

UNIT: OER/C/IN

EXT: R 1400

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IS BASED ON REPORTED EMPLOYMENT IN THE NON-AGRICULTURAL SECTORS OF THE ECONOMY AND PUBLISHED UNEMPLOYMENT DATA. THE 34 PERCENT INFLATION RATE REFERS TO WHOLESALE PRICES. SINCE INFLATION AS MEASURED BY THE CONSUMER PRICE INDEX OR GNP DEFLATOR WAS 25 PERCENT, OER AGREES WITH ECONOMIC SECTION THAT 30 PERCENT WOULD BETTER CHARACTERIZE THE INFLATION RATE. E 2, IMPDET.

25X1A

25X1A

ORIG: DDI/OER/C/IN [REDACTED] AUTH: DDI/ASA/D/OER [REDACTED]  
REL: DDI/D/OER {M-ERNST}.J

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25X1A

DDI/CS

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ORIG:  
UNIT:  
EXT:

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MAURICE C. ERNST, D/OER

ASA/D/OER

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PAGE 01

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25X1A

S E C R E T 290941Z JUL 77 DEFERRED TELEPOUCH

25X1A .CITE [REDACTED]

TO: WASHINGTON.

FOR: DDI LIAISON STAFF

SUBJECT: COMMENTS ON OER WEEKLY ON SOUTH KOREA "SOUTH KOREA: IMPROVED  
FOREIGN FINANCIAL POSITION"

25X1A 1. [REDACTED] PASSED OER'S SOUTH KOREA ARTICLE FROM INTERNATIONAL

25X1A ECONOMIC INTELLIGENCE WEEKLY [REDACTED] 25X1A

[REDACTED] FOLLOWING ARE THEIR COMMENTS WHICH [REDACTED] 25X1A  
THOUGHT WOULD BE OF INTEREST TO YOU.

25X1A 2. [REDACTED] FINDS THE ARTICLE TIMELY AND ACCURATE,

THEY ALSO COMMENTED FAVORABLY ON WHAT THEY VIEW AS EXTENSIVE

25X1A USE OF [REDACTED] DOES NOT

UNDERSTAND WHAT OER MEANS BY "THE 700 MILLION DOLLAR GAP."

THEY COMMENTED THAT THE CURRENT SURPLUS IN KOREA'S BALANCE OF

PAYMENT SHOULD SHOW A SLIGHT SURPLUS FOR 1977 AND ASSUME THAT

OER'S REFERENCE TO A GAP REFERS TO INTEREST AND AMORTIZATION

PAYMENTS ON PREVIOUS DEBTS.

25X1A 3. THE UNEMPLOYMENT FIGURES OF TEN PERCENT FOR 1974 AND 1975

APPEAR [REDACTED] TO BE RATHER HIGH. THEY COMMENT THAT

WHILE ROK OFFICIAL FIGURES OF 4.1 PERCENT ARE OBVIOUSLY TOO LOW,

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PAGE 02-02

IN 35 86 51

TOR:291042Z JUL 77

THE TEN PERCENT FIGURE SEEMS RATHER ON THE HIGH SIDE. SIMILARLY, THEY FEEL THE INFLATION AVERAGE OF 34 PERCENT APPEARS TO BE AN ARITHMETIC AVERAGE OF THE WPI FOR THESE TWO YEARS, THEY BELIEVE THIS OVERSTATES THE CASE AND THAT A 30 PERCENT AVERAGE WOULD BE MORE ACCURATE. (BOTH CONSUMER PRICES AND GNP PRICE DEFLATORS WERE IN THE 20 PERCENT PRICE BRACKET).

4. [REDACTED] IS IN FULL AGREEMENT WITH THE POINTS RAISED IN PARAS 15 AND 16 OF THE WEEKLY. E2, IMPDET.

S E C R E T

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*ER EIW 77-026*

| SENDER WILL CHECK CLASSIFICATION TOP AND BOTTOM                                                                                                                                                                                                                                                           |                  |                          |                   |
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| <input type="checkbox"/>                                                                                                                                                                                                                                                                                  | UNCLASSIFIED     | <input type="checkbox"/> | CONFIDENTIAL      |
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| <b>OFFICIAL ROUTING SLIP</b>                                                                                                                                                                                                                                                                              |                  |                          |                   |
| TO                                                                                                                                                                                                                                                                                                        | NAME AND ADDRESS | DATE                     | INITIALS          |
| 1                                                                                                                                                                                                                                                                                                         | SA/ER            | 30 June                  | <i>[initials]</i> |
| 2                                                                                                                                                                                                                                                                                                         |                  |                          |                   |
| 3                                                                                                                                                                                                                                                                                                         |                  |                          |                   |
| 4                                                                                                                                                                                                                                                                                                         | PPG/R&D          |                          |                   |
| 5                                                                                                                                                                                                                                                                                                         |                  |                          |                   |
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| <input type="checkbox"/>                                                                                                                                                                                                                                                                                  | APPROVAL         | <input type="checkbox"/> | DISPATCH          |
| <input type="checkbox"/>                                                                                                                                                                                                                                                                                  | COMMENT          | <input type="checkbox"/> | FILE              |
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| <input type="checkbox"/>                                                                                                                                                                                                                                                                                  |                  | <input type="checkbox"/> | SIGNATURE         |
| <b>Remarks:</b><br><br>Please indicate the items releasable <span style="background-color: black; color: black;">[REDACTED]</span><br><span style="background-color: black; color: black;">[REDACTED]</span><br><br>USSR: Economic Prospects Are Poor — p. 1<br>Philippines — p. 9<br>South Korea — p. 13 |                  |                          |                   |
| <b>FOLD HERE TO RETURN TO SENDER</b>                                                                                                                                                                                                                                                                      |                  |                          |                   |
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| PPG/R&D Room 7G-07 x5203                                                                                                                                                                                                                                                                                  |                  |                          | 30 Jun'77         |
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NAA [REDACTED] 6657

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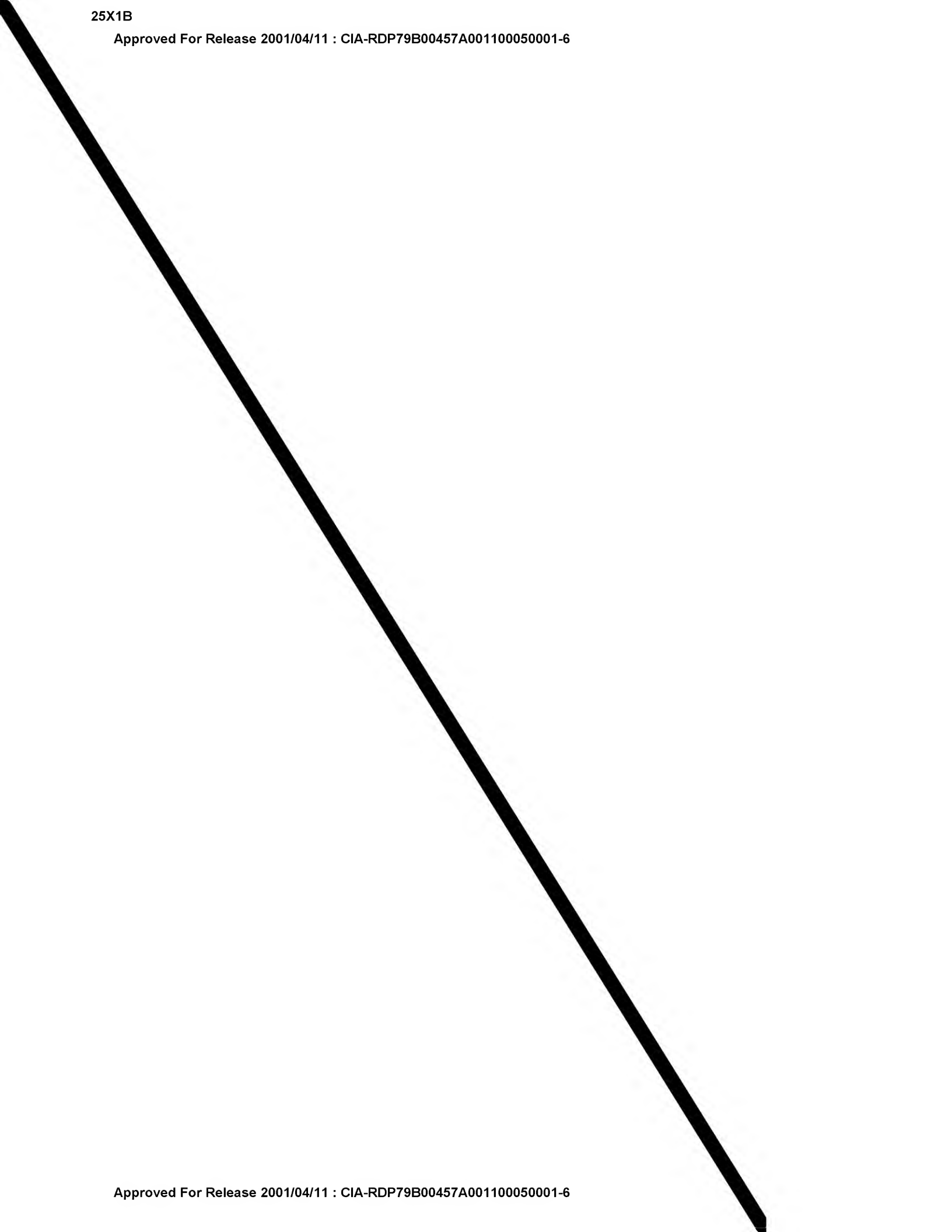
GEOGRAPHIC AREA CATEGORY

|   |                         |
|---|-------------------------|
|   | Domestic Politics       |
|   | International Relations |
| X | Economics               |
|   | Military                |
|   | Science & Technology    |
|   | Geography               |
|   | Biography               |

|   |                     |
|---|---------------------|
|   | USSR                |
|   | Eastern Europe      |
| X | China               |
|   | Other Far East      |
|   | Near East/N. Africa |
|   | South Asia          |
|   | Africa              |
|   | Latin America       |
|   | Western Europe      |

LIST SPECIFIC COUNTRIES: China

[illegible]



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| SURVEY NO.<br>(1-6) |  | RECORD<br>TYPE<br>(7-8) |        | OFFICE (9-10)           |        |        |        |
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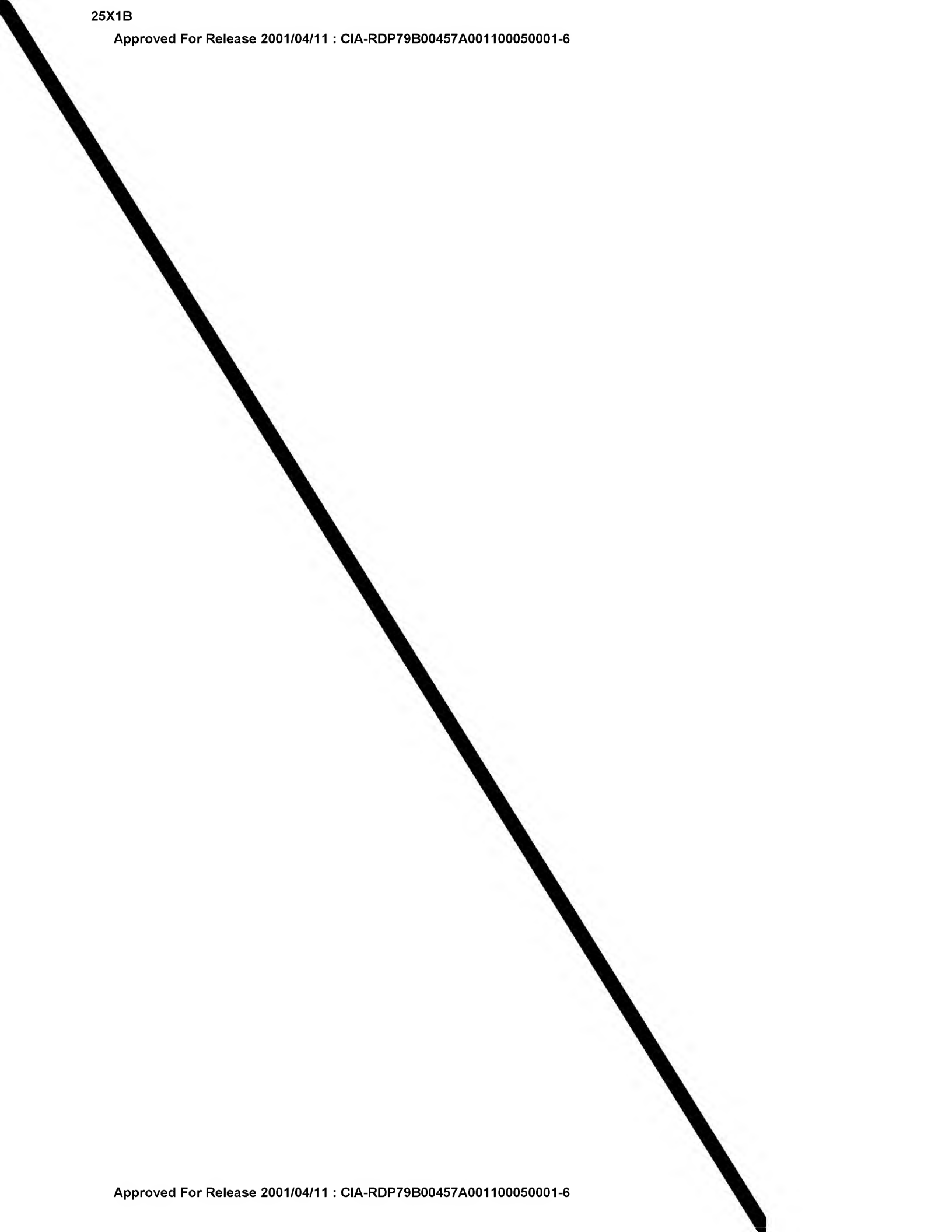
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Economics  
Military  
Science & Technology  
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Biography

|   |                     |
|---|---------------------|
|   | USSR                |
|   | Eastern Europe      |
|   | China               |
| ✓ | Other Far East      |
|   | Near East/N. Africa |
|   | South Asia          |
|   | Africa              |
|   | Latin America       |
|   | Western Europe      |

LIST SPECIFIC COUNTRIES: Philippines

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## TOPICAL CATEGORY

## GEOGRAPHIC AREA CATEGORY

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|   | International Relations |
| ✓ | Economics               |
|   | Military                |
|   | Science & Technology    |
|   | Geography               |
|   | Biography               |

|   |                     |
|---|---------------------|
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|   | Eastern Europe      |
|   | China               |
| • | Other Far East      |
|   | Near East/N. Africa |
|   | South Asia          |
|   | Africa              |
|   | Latin America       |
|   | Western Europe      |

LIST SPECIFIC COUNTRIES: SOUTH KOREA

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